Exhibit 21C

Back to Contents

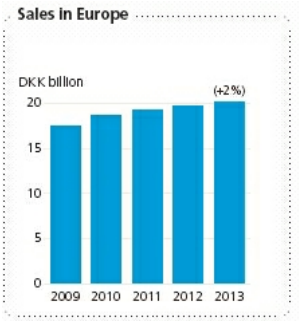
Europe

Europe is Novo Nordisk's second largest region in terms of sales. Sales growth has been modest in recent years – in the low single-digit range. To a large extent, this is a result of the depressed economy in many European countries in the wake of the financial crisis. This has led governments to implement cost-cutting measures, both through price cuts on medicines and by limiting access to new medicines. Tresiba® has been affected by such measures in countries such as the UK and Denmark.

In 2013, Novo Nordisk's sales of diabetes care products in Europe increased by 3% in local currencies. Sales of insulin and protein-related products were unchanged, reflecting the fact that declining human insulin sales were offset by the continued progress of Levemir® and NovoRapid®. Furthermore, sales were impacted by low volume growth of the insulin market, around 3%. However, the use of devices for insulin injections is very high, with 96% of Novo Nordisk's insulin volume being used in devices, primarily NovoPen® and FlexPen®. Sales of Victoza® increased by 20% in local currencies. Sales growth was primarily driven by France, the UK, Spain and Italy. In Europe, the GLP-1 class's share of the total diabetes care market in value increased to 8% compared with 7% in 2012. Victoza® is the GLP-1 market leader with a value market share of 78%.

Tresiba® is important for future growth

There are no signs of a return to significantly higher sales rates in the coming years, with government cost-cutting measures expected to continue. Moreover, the diabetes market is well developed, diagnosis rates are high, birth rates low and Novo Nordisk already has an insulin market share of 49% measured by volume. This means there are limits as to how much Novo Nordisk can grow in Europe. The key growth driver in the coming years is expected to be Tresiba® as it becomes available to patients in more European countries. Moreover, Novo Nordisk will be launching NovoEight® for treating haemophilia A in the first European countries in 2014.



International Operations

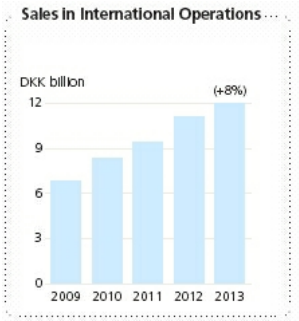
With sales of 12 billion Danish kroner in 2013 and average annual sales growth of around 15% since 2009, International Operations is Novo Nordisk's main contributor to growth after North America. Thinking of International Operations as one business region requires a stretch of the imagination, though. It encompasses 149 countries all over the world with more than 4.4 billion people – Latin America, Africa, the Middle East, the Gulf, most of Asia, and Australia. A region of extraordinary diversity, it covers some of the world's poorest countries and some of the richest.

This means that Novo Nordisk must be able to meet demand for both standard therapy in the form of human insulin in vials at very low prices and advanced modern insulin products in sophisticated pen systems, which are sold at prices similar to those seen in Europe and the US. Within many of the countries in International Operations, there is both a public and a private market. In most cases the public market only reimburses use of human insulin vials, while the private market is primarily modern insulin paid for by people who either have private insurance or can pay out of their own pockets.

What these countries have in common is that the incidence of diabetes is increasing, and many of them are enjoying economic growth above what is being seen in the Western world. This means they can afford to extend the reach and quality of their healthcare systems.

In 2013, Novo Nordisk's sales of diabetes care products in International Operations increased by 16% in local currencies, driven by all three modern insulins. Currently, 59% of Novo Nordisk's insulin volume in the major private markets is used in devices. Novo Nordisk's insulin volume market share is around 56%.

Victoza® is becoming an increasingly important product in International Operations. Sales grew by 31% measured in local currencies in 2013 and the product was marketed in 43 countries by the end of 2013.



Future growth

Growth in International Operations will continue to be driven by the increasing number of people with diabetes in the region and the fact that more of them will have access to medical treatment as economies develop. Novo Nordisk's key priorities are to increase the modern insulin penetration, launch Tresiba® in more countries (Mexico and India already launched this product in 2013), continue the roll-out of Victoza® and ensure that more people are treated with insulin sooner than is the case today.

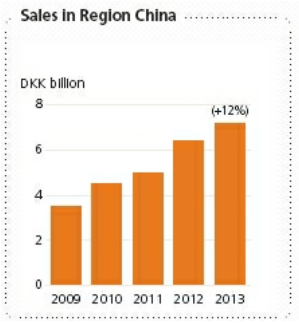
To support growth, Novo Nordisk is expanding its organisation in many of the key growth markets and making significant investments in building healthcare capacity within diabetes.

Region China

With sales of 7.2 billion Danish kroner in 2013 and average annual sales growth of around 19% since 2009, China has been a major contributor to Novo Nordisk's growth in recent years. This is predicted to be the case in the coming years too, partly due to the rapidly increasing number of people with diabetes in China. According to the latest estimates from the International Diabetes Federation, more than 99 million people in China have diabetes today.

With China's economic growth comes urbanisation, with urbanisation come sedentary lifestyles – and diabetes follows. This is the same pattern seen in other rapidly developing countries, but on a much larger scale in a country with an ageing population of 1.35 billion. On top of this, there is another challenge. Twenty years ago, very few doctors in China knew how to treat diabetes, and outside the bigger cities this is often still the case. Novo Nordisk established its own affiliate in China in 1994 and, to this day, the company's main focus has therefore been to educate doctors and patients in proper diabetes care, including how to use insulin effectively and safely. While these initiatives primarily took place in the biggest cities at first, today they're being rolled out to smaller cities and rural areas.

In 2013, Novo Nordisk's sales of diabetes care products in Region China increased by



Back to Contents

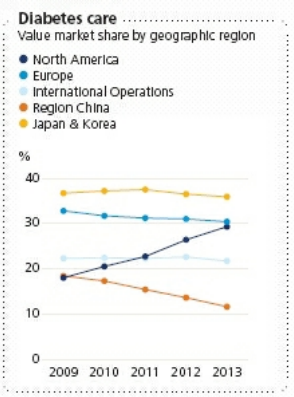
13% in local currencies. The sales growth was driven by all three modern insulins, while sales of human insulins only grew modestly. Currently, 97% of Novo Nordisk's insulin volume in China is used in devices, primarily the durable device NovoPen®. GLP-1 products are currently not reimbursed in China and this class of products is therefore relatively small. However, its share of the total diabetes care market in value expanded to 0.6% compared with 0.5% in 2012. Victoza® holds a GLP-1 value market share of 74%.

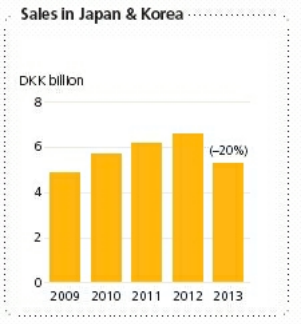
Reforms to widen healthcare coverage
The Chinese government is implementing widespread reforms of the healthcare system with a view to extending both its reach and quality and, as in many other countries, several measures are being taken to limit spending on pharmaceuticals. One way to do this is by creating lists of essential pharmaceuticals that are purchased from potential companies in large quantities at low prices. Pharmaceuticals on this list are primarily older products that have gone off patent, such as human insulin.
However, there's also a growing market for newer and higher priced pharmaceuticals in China as both the health awareness and the purchasing power of many Chinese families are growing. They're willing to pay for – or have private health insurance that covers – newer and more innovative treatments. Novo Nordisk's growth in the coming years is expected to primarily come from the portfolio of modern insulins, in part driven by the continuing expansion of the company's reach into an increasing number of county hospitals, and from Victoza®.

Japan & Korea

With a 52% market share measured in volume, Novo Nordisk is the clear insulin market leader in Japan. The use of devices remains high in Japan, with 98% of Novo Nordisk's insulin volume being used in devices, primarily FlexPen®.

In 2013, Novo Nordisk's sales of diabetes care products in Japan & Korea decreased by 4% in local currencies. This sales development reflects a stagnant Japanese insulin volume market and the negative impact from a challenging competitive environment. A shift in recent years from the use of premixed insulin products, where Novo Nordisk is the clear leader with NovoMix®, to basal insulin products, where Novo Nordisk is in fierce competition with Sanofi, has led to a loss of market share.
In 2013, there have been signs that this development is changing with the launch of Tresiba®. Japan was the first country to launch Tresiba® in 2013 with broad market access. Since its launch in March, Tresiba® has steadily expanded its share of the basal insulin market and now represents 8.6% of this market measured in monthly value market share.
In 2014, the focus in Japan & Korea will be on the further penetration of Tresiba®, the launch of Ryzodeg® (insulin degludec/insulin aspart) and the launch of NovoEight® (turoctocog alfa) for treating haemophilia A. However, growth rates are expected to remain modest due to price reductions and the overall low growth of the total insulin market.





Key regional facts

	North America	Europe	International Operations	Region China[4]	Japan & Korea
Population (million)[1]	349	538	4.408	1.351	178
GDP per capita (USD)[1]	51,796	33,242	4,499	6,091	39,925
Healthcare spend per capita (USD)[1]	8,310	3,575	292	278	3,566
Physicians per 1,000 people[1]	2.4	3.3	1.1	1.8	2.1
Number of people with diabetes (million)[2]	27	34	203	99	11
Diagnosis rate[2]	78%	64%	55%	46%	51%
Diabetes national prevalence[2]	11%	9%	8%	10%	8%
Novo Nordisk total sales (DKK billion)	39.0	20.1	12.0	7.2	5.3
Insulin value market share[3]	38%	47%	49%	57%	52%
Insulin volume market share[3]	41%	49%	56%	59%	49%

1. The World Bank. **2.** The 2013 data are based on the *IDF Diabetes Atlas*, 6th edition, 2013. Prevalence rates have been estimated lower in a number of countries compared with the 5th edition used in the *Novo Nordisk Annual Report 2012*. This reduction is due to changes in methodology and sources used by IDF for a given country and not to an improvement in diabetes prevalence. All studies from the same country show an increase in diabetes prevalence over a longer time period. **3.** IMS Health, IMS MIDAS Customized Insights, November 2013. **4.** Data from IMS Health, IDF and The World Bank include China only.

Back to Contents

More than 24 million people globally rely on Novo Nordisk's products to treat their diabetes. Around 10,000 employees are responsible for manufacturing high-quality products – with low environmental impact.

Insulin production at Novo Nordisk starts in Kalundborg, a town of about 16,000 inhabitants 100 kilometres west of Copenhagen, Denmark. It is here that the company makes insulin crystals, the active ingredient in its insulin products, through the processes of fermentation, recovery and purification. Site Kalundborg is Novo Nordisk's largest production site at 1,350,000 m^2 – equivalent to 270 football pitches. In fact, it's the largest production site for insulin in the world, making around half of the world's insulin crystals.

A complex production process

Insulin is a protein and thus a large and complex molecule. Manufacturing insulin is very different from manufacturing most other pharmaceuticals, which are based on small molecules. It requires large investments in biotechnology, sterile production facilities and an understanding of working with living cells – in this case yeast – to produce a uniform and pure product.

"In Kalundborg we've developed large-scale production expertise over many years," says Henrik Wulff, senior vice president and head of Product Supply. "Centralised insulin crystal production is an important part of our manufacturing strategy, and our unique capabilities enable us to produce large volumes of insulin at a competitive cost."

While most other large-molecule pharmaceuticals are produced in relatively small quantities, production of insulin is a high-volume undertaking. It is estimated that an entire Olympic-sized swimming pool could be filled with Novo Nordisk's insulin every year. Every second, every day, 21 Penfill® insulin cartridges are filled. And enough FlexPen® injection devices are produced each year to stretch more than once around the globe.

Final production close to patients

While the production of insulin crystals is centralised in Denmark, the next steps in the manufacturing process are closer to the patients and major markets that need the company's products.

The largest production sites outside Denmark are in the US, Brazil, France, China and Japan. Working according to the same, global quality management system, these plants turn the insulin crystals into finished products. In the formulation process, freeze-dried insulin crystals are blended with other ingredients and water to create the different types of Novo Nordisk insulin, for example Levemir® (insulin detemir) or Tresiba® (insulin degludec). In the filling process, glass Penfill® cartridges and vials are filled on high-speed lines. Once filled and inspected, some cartridges are mounted into injection devices, such as FlexPen® and FlexTouch®. Finally, the products are packed to fulfil customer orders and shipped to their destination after final quality control.

"We place the production of finished products close to where the patients are," explains Henrik Wulff. "This allows us to react fast to local changes and lowers any supply risk; our obligation to patients is to supply safe, high-quality products in compliance with regulatory requirements, in volumes that meet demand. To live up to this obligation, we have one quality management system that defines the global standards for compliance and product quality."

Continuous improvement

Novo Nordisk's highly efficient production system is based on years of experience and learning from better practices. The company has continuously developed its

Back to Contents

Ephrem Rudahunga works at site Kalundborg, the largest insulin production site in the world.

One global quality system

Novo Nordisk uses one global approach to ensure the quality of its products no matter where in the world they are produced. The company's quality management system has been designed to ensure that all manufacturing processes follow its standard operating procedures (SOPs) and are in compliance with international standards such as Good Manufacturing Practice and ISO 9001. In total, Product Supply, the company's production division, has more than 15,000 SOPs.
All employees working in Product Supply receive training to ensure compliance with the quality management system, including how to document that all production lines consistently meet the predetermined criteria, how to identify and address systemic quality problems, and how to handle deviations from the standards.
Furthermore, Novo Nordisk has two functions charged with ensuring manufacturing quality. Quality Control independently validates that products are manufactured in compliance with all procedures, while Quality Assurance monitors that processes are conducted in accordance with the company's SOPs. This is the final control before batches of medicine are released to the markets.

production through technology upgrades, skill-building and process optimisation. "The introduction and in-house development of cLEAN®, our version of the lean manufacturing principles, has had a very positive impact on the quality and performance of our processes and hence the production cost," Henrik Wulff says. In fact, the company's ambition to improve production performance has produced remarkable results, with cost of goods sold as a percentage of sales falling from 28% to 17% from 2003 to 2013.

Energy savings
Optimising process performance has also helped reduce Novo Nordisk's environmental impact significantly. The long-term aspiration is to continuously decouple environmental impacts from business growth. Since 2004, Novo Nordisk has reduced the emissions of CO_2 by 42%. In response to the need for expansions of production capacity and an increased product portfolio, the long-term environmental targets for consumption of energy and water were revised and updated in 2013. Energy-saving projects have resulted in savings of up to 144 million kWh, equivalent to the annual energy usage of more than 7,000 Danish households, and reductions in CO_2 emissions of 44,000 tons annually. "In the beginning, we could realise large improvements in our environmental impact, but now it has become more difficult to optimise our absolute footprint as we've become so efficient. However, we remain committed to ensuring that our environmental impact grows more slowly than the company grows its sales," explains Henrik Wulff. "Looking ahead, I'm confident that we're well prepared to continue our strong performance within production. We'll expand our production facilities to increase output in line with market demands and continue supplying high-quality products that meet regulatory requirements. At the same time, we'll keep our focus on improving our existing processes so that we continue to live up to our financial, environmental and social commitments," he concludes.

A Warning Letter with important learnings

In December 2012, Novo Nordisk received a Warning Letter from the US Food and Drug Administration (FDA) following an inspection of a production plant in Denmark. In the Warning Letter, the FDA cited two specific violations of its compliance standards. Novo Nordisk immediately took action to address the issues. A re-inspection was carried out in August 2013 and in January 2014, Novo Nordisk received confirmation from the agency that the violations had been addressed satisfactorily. The learnings from this case are being applied throughout the global Product Supply organisation and serve as a reminder of the importance of keeping up with ever-evolving compliance standards.

An error that shouldn't have happened

In October 2013, Novo Nordisk recalled certain batches of its prefilled insulin product NovoMix® 30 in several European countries. A quality control conducted by Novo Nordisk had shown that a small percentage (0.14%) of the 3 million products in these batches did not meet the specifications for insulin strength. This could lead to the patient's blood sugar level becoming higher or lower than expected. To protect patient safety Novo Nordisk recalled all products in the affected batches from wholesalers, pharmacies and patients. The root cause, a production error at one of Novo Nordisk's production facilities, has been identified and resolved.

Back to Contents

A question of **trust**

As a business with shareholders to satisfy, the pharmaceutical industry must have a strong focus on financial performance. But the industry's greater purpose is to improve human health. At first glance these ambitions may appear conflicting – is it therefore any wonder that the issue of trust is so often raised?

The pharmaceutical industry is no stranger to critical media attention. Headlines often call into question the ethics and transparency of business practices that must balance financial and social responsibilities. It is easy to find people who don't trust pharmaceutical companies to put the interests of patients above profits. Calling into question the transparency of clinical trial results, some critics are suggesting that negative data, or data that don't support the hypothesis being tested, have been buried. They have called for the disclosure of further data. Authorities have also recently reviewed guidelines on the interaction between the pharmaceutical industry and healthcare professionals in order to address concerns about this relationship. The dilemma is obvious: On the one hand, doctors have expert knowledge based on their clinical experience, without which pharmaceutical companies can't develop new medical treatments. On the other hand, some may see payments made to healthcare professionals for this knowledge as an illegitimate means of encouraging them to prescribe certain medicines. So can patients be sure that doctors are making treatment decisions in the patients' best interests?

Data transparency

Novo Nordisk has a strong track record on clinical trial data transparency. For almost a decade, the company has systematically shared and published results and related data – irrespective of trial outcome. "For the success of future clinical trials, and for our long-term business, it is imperative that we build good and trustful relationships with doctors and patients. We rely on our collaboration with them, and take the concerns they may have very seriously. This is why today, we already go beyond regulatory requirements by making our clinical trial results of approved products public," explains Peter Kristensen, senior vice president of Global Development.

It is Novo Nordisk's policy that the results of all clinical studies are published, preferably in scientific journals and at scientific meetings. Tabulated data from Novo Nordisk's clinical trials of products approved in the US are available today on the website clinicaltrials.gov. This is a registry and results database of publicly and privately supported clinical trials conducted around the world and is run by the U.S. National Institutes of Health. Since 2005, Novo Nordisk has published a synopsis of results from the company's clinical trials of approved marketed products, whether positive or negative. Today this information is publicly available at novonordisk-trials.com including information from discontinued trial programmes.

From 1 March 2014, novonordisk-trials.com will also provide access to Clinical Study Reports (CSRs) for all Novo Nordisk trials after 2006 – regardless of study outcome – involving product indications that are approved in the EU and the US. The company has chosen to publish CSRs – without appendices and redacted to protect patient and site confidentiality – as they are the complete descriptions of the trials presented in a standardised format and the actual material used for submission to regulatory authorities. "In this way, we hope to further reassure healthcare professionals and patients that what we communicate is an accurate reflection of what we have observed and thereby strengthen public confidence in the approved medical treatments," adds Peter Kristensen.

He stresses that Novo Nordisk will publish the CSRs after regulatory approval in the EU and in the US, so that the

Back to Contents

decision-making process of the regulatory authorities is not made even more complex by a parallel public debate. In addition, prior to approval, Novo Nordisk regards the design of its trials, as well as the results obtained, as confidential information. "We have to protect competitive information. Otherwise investments in future treatments will be lost, which would be bad for patients and the industry alike," points out Peter Kristensen.

Access to patient-level data
Taking transparency to a new level, public access to individual patient research data from clinical trials has recently been proposed by the European Medicines Agency (EMA). Novo Nordisk agrees that there is value in making these data available: "We have a responsibility to patients to ensure that the data they contribute to clinical trials are leveraged as much as possible to advance scientific understanding. We believe that by sharing detailed clinical trial data with the research community, new knowledge may be created that could contribute to the development of new and improved treatments," Peter Kristensen highlights. "However, we have to be careful that patient confidentiality is not compromised and that competitive business information is not divulged."
Therefore, Novo Nordisk will make patient-level data for approved products from trials completed after 2001 available to researchers upon request. To ensure that the data are handled in a responsible way, the company will establish an independent governing body. This will include experts skilled in evaluating clinical data and will assess researchers' requests for data and make decisions based on an accountable and transparent process.

A selection of books published in recent years with a critical perspective on the pharmaceutical industry.

Integrity and transparency are the foundation for building trust
A company such as Novo Nordisk can't develop new medicines without the guidance, knowledge and expertise of doctors, who understand the medical needs of the patients they see in their clinics. It is therefore reasonable that they are fairly compensated for the services they provide in this respect. However, relationships with doctors can create the potential for conflicts of interest as the doctors have a direct impact on a company's sales via their prescribing decisions. The issue of trust raises its head again.

"Our business ethics strategy is there to safeguard the integrity of our relationships with all our stakeholders and we want to make sure our actions are transparent," comments Lise Kingo, executive vice president and chief of staffs. She is also the chair of the Business Ethics Board, which is responsible for implementing the company's business ethics strategy. "We have focused on business ethics for a long time and we're always looking for ways we can make improvements in this area." By way of example, Lise Kingo mentions that all relevant employees are trained in – and then tested on – the company's standard operating procedures for interactions with and payments to healthcare professionals.

Global reporting, global transparency
This past year national regulations for disclosure of payments and other transfers of value to healthcare professionals have come into force in the US and France. There is now, for example, a requirement to report any individual payments exceeding 10 US dollars or 10 euros in the US and France respectively. Furthermore, the European pharmaceutical industry trade organisation EFPIA has recently revised its codes of conduct for interactions between the pharmaceutical industry and healthcare professionals and patient organisations. The revised codes ban all gifts to healthcare professionals, enable each country to set a threshold for any hospitality provided to doctors and, as in the US and France, call for individual disclosure of any transfers of value.
Novo Nordisk fully supports the new regulations and codes of conduct, and has developed a system for reporting payments to individual healthcare professionals. "Ultimately, we want to have one system for all our affiliates to ensure the same reporting standard, not only in the US and

CONTINUED ►

Back to Contents

Europe, but throughout the world. We are therefore ready to roll out this system in each country once specific national requirements have been announced and taken into account," explains Lise Kingo. "We hope that these new regulations and revised codes of conduct will enhance transparency and reassure external stakeholders of our commitment to ethical behaviour."

Reaffirming results to build confidence

For good reason, product safety is one of the greatest concerns for patients and healthcare professionals and is an issue that Novo Nordisk takes very seriously, particularly as the company makes potentially life-saving treatments for people who are, by nature of their medical condition, vulnerable. The company therefore continuously and actively monitors the safety profile of its products. Stringent protocols and systems are in place to ensure product safety, both during the development phases and after a product has been launched. Read more in the box on p 41.

However, new pharmaceuticals often come under the spotlight, particularly if they represent a new class of drug. A recent example is GLP-1-based diabetes therapies, a drug class to which Novo Nordisk's Victoza® belongs. The safety of this drug class was challenged early in 2013, when a study (which did not include Victoza®) suggested an increased risk of side effects on the pancreas. The FDA and EMA reacted by reviewing data on GLP-1-based therapies to see if a link between them and an increase in pancreatic side effects could be determined.

In July, the EMA concluded that currently available data did not confirm the concerns over an increased risk of pancreatic adverse events with these medicines. The FDA has not officially announced the conclusion of its review. However, in response to questions from the media, a spokesperson said that the FDA was in agreement with the EMA's conclusions.

Mads Krogsgaard Thomsen, executive vice president and chief science officer,

Back to Contents

Senior Clinical Research Associate Sowmya Muralidhar from India discusses a clinical trial with a doctor involved in the trial.

Continuous safety surveillance process

All Novo Nordisk products – whether in development or on the market – have a dedicated cross-organisational safety committee, with experts anchored in Global Safety, which oversees the safety of the product. Preclinical data, clinical studies, post-marketing reports, publications, competitor information and databases are continuously reviewed to detect any safety concerns.

The benefit–risk profiles of Novo Nordisk-marketed products are described in the product label, as agreed with health authorities. New data are shared with authorities, either as an ongoing process via individual case safety reports or at regular intervals via periodic safety update reports. If necessary, product labels are updated based on new data. Furthermore, when possible, analysis of safety data is published in peer-reviewed journals in collaboration with experts.

welcomed the EMA's conclusion: "Novo Nordisk is committed to patient safety and continuously monitors for adverse events related to all of its medicines. Victoza® has more than 1.9 million patient years of use and a strong body of evidence to support its safety and efficacy based on both clinical trial and real-world practice data."

Karsten Lollike, corporate vice president and head of Global Product Safety, adds that Novo Nordisk continues to conduct studies to assess the effects of long-term use of Victoza® on the pancreas. This includes a review of databases and the cardiovascular outcomes trial LEADER®, to be completed in 2016, and other post-marketing studies.

"Ensuring the safety of our products remains our top priority. I believe our history – and how we have handled safety issues and concerns in the past – proves our commitment is more than just words," explains Karsten Lollike. "I'm really pleased that in a recent survey[1] Novo Nordisk was ranked number one in the industry by patients for having a good record in ensuring patient safety. I believe this shows that patients trust us."

An ongoing issue requires a long-term perspective

While it can be expected that the issue of trust and the pharmaceutical industry will continue to be discussed for many years to come, Lise Kingo hopes that Novo Nordisk's approach to business ethics will demonstrate the company's commitment to building trust with all its stakeholders: "We have clear priorities and the needs of patients come first – this has been the case ever since the company was founded. We have a Triple Bottom Line approach that ensures all business decisions live up to our financial, social and environmental responsibilities. This long-term perspective is absolutely fundamental to the way we work and how we run our business, and I believe this is our firm foundation for being a credible and trustworthy company," she concludes.

Back to Contents

RISKS

to be aware of

Several developments in 2013 were reminders that there are, and always will be, risks associated with Novo Nordisk's business – risks that all investors should be aware of.

8 February 2013: The US Food and Drug Administration (FDA) informs Novo Nordisk that it cannot approve the New Drug Applications for Tresiba® (insulin degludec) and Ryzodeg® (insulin degludec/ insulin aspart) in their current form. This unexpected development meant that these two insulin products could not be launched in the US in 2013 as originally planned. Read more on pp 24–25.

22 March 2013: A study is published suggesting that GLP-1-based drugs for treating type 2 diabetes have an increased risk of pancreatic side effects. Although the authorities later concluded that currently available data did not confirm the concerns, the growth of this market segment was affected in some countries. Read more on pp 38–41.

23 October 2013: Novo Nordisk announces a recall of 3 million NovoMix® insulin products in several European countries due to a production error. Situations leading to product recalls may pose a risk to patient safety, lead to disruption of supplies in the affected countries and tarnish Novo Nordisk's reputation. Read more on pp 36–37.

Three examples of three different types of risk that come with being a pharmaceutical company and investor in one. And there are more. This article covers the main types of risk that Novo Nordisk faces. For some specific risks, reference is made to articles elsewhere in the Annual Report and notes to the consolidated statements.

Market risks

The principal market risks Novo Nordisk experiences are:

- price pressure and reimbursement restrictions by payers
- the launch of new products by established competitors
- increased competition from producers of biosimilar medicines in key markets.

Europe, China and the US are all main markets for Novo Nordisk where payers – both governments and private payers – take measures to limit spending on medicines, typically by driving down prices, demanding higher rebates and/or restricting access to and reimbursement of products. This is unlikely to change in the foreseeable future. For Novo Nordisk, reimbursement restrictions pose a significant risk when launching a new product such as Tresiba®, the new-generation basal insulin with ultra-long duration of action. Despite the patient benefits and data supporting the health-economic benefits of the product, it is not always possible to obtain market access on what Novo Nordisk considers reasonable conditions. In some countries, the company may therefore not launch Tresiba® under the current conditions.

The launch of new products by established competitors is an inherent market risk. As mentioned on p 33 in the article about Novo Nordisk's five regions, new products are under way in both the insulin and GLP-1 segments, including a biosimilar version of the best-selling modern insulin product. How and to what extent such events will change the market dynamics is not possible to predict at present.

In addition to these global risks, in some countries in the International Operations region political instability or war may pose a risk to Novo Nordisk's business for varying lengths of time.

Delays or failure of pipeline products

Development of a new pharmaceutical product is an expensive undertaking that can take more than 10 years. It includes extensive non-clinical tests and clinical trials as well as an elaborate regulatory approval process, including approval of the production facilities. During the process, various hurdles may delay the development of a potential product candidate and add substantial expense. In some cases, significant obstacles could lead to the company eventually deciding to abandon the development of the potential product candidate.

In Novo Nordisk's experience, there is a less than 35% chance of a diabetes product candidate in phase 1 clinical trials ultimately being approved for marketing, while the chance of success is around 40% for products in phase 2 trials and rises to around 70% for products in phase 3 trials. However, there is significant uncertainty regarding the timing and success of the

Back to Contents

regulatory approval process, as illustrated by the aforementioned decision by the FDA regarding Tresiba® and Ryzodeg®.

Supply disruptions
Failure or breakdown in one of Novo Nordisk's or the company's key suppliers' vital production facilities could adversely affect operations and potentially cause employee injuries or infrastructure damage. Fire prevention design, alarms and fire instructions, annual inspections, back-up facilities and safety inventories all aim to mitigate this risk. To spread this risk geographically and optimise costs and supply logistics, Novo Nordisk has established production sites in several countries. Read more on pp 36–37.

Quality and product safety issues
Quality and product safety issues may arise if, for example, a production facility is not continuously in compliance, a product is not within specifications or if side effects that were not detected in clinical trials become apparent when a product is used for long periods of time. Novo Nordisk proactively manages such risks through its quality management system, a key priority of which is to safeguard product quality and minimise risks to patient safety and secure product quality. The quality management system aims to ensure that the company is in compliance with all regulatory requirements and it includes standard operating procedures, quality controls and release, quality audits, quality improvement plans and systematic senior management reviews. For information on Novo Nordisk's product safety monitoring, authority inspection status and product recalls, read more on pp 36–37 and 38–41 and in note 4.2 on p 100.

Financial risks
Novo Nordisk's main financial risks relate to exchange rates and tax disputes.
Novo Nordisk's reporting currency and the functional currency of corporate operations is the Danish krone, which is closely linked to the European euro in a narrow range of ±2.25%. However, the majority of the company's sales are in US dollars, European euros, Chinese yuan, Japanese yen and British pounds. Exchange rate risk is therefore the company's biggest financial risk and the risk has grown in importance as the size of international markets and the share of sales in different currencies have increased. To manage this risk, the company hedges expected future cash flows for selected key currencies. Read more about how Novo Nordisk manages this risk in notes 4.2 and 4.3 on pp 79–83.
In the course of conducting business globally, transfer pricing disputes with tax authorities may occur. Novo Nordisk's policy is to pursue a competitive tax level, meaning at or below the average for the company's peer group, in a responsible way. This means paying relevant tax in jurisdictions where business activity generates profits. As a general rule, Novo Nordisk's affiliates pay corporate taxes in the countries in which they operate.
To manage uncertainties regarding tax, Novo Nordisk has negotiated multi-year transfer pricing agreements with tax authorities in key markets. Read more about taxes paid by Novo Nordisk in 2013, in note 2.4 on pp 68–70.

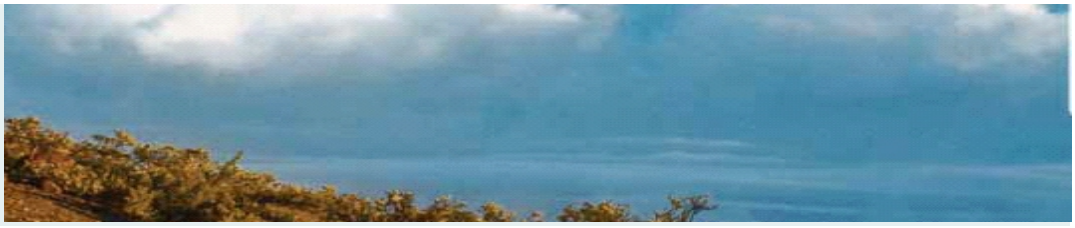
Information technology risks
Well-functioning IT systems are critical for Novo Nordisk's ability to operate effectively. Furthermore, they hold confidential information that if disclosed could have a severe impact on Novo Nordisk's competitive situation. An information security strategy is in place to mitigate the risk of intruders causing damage to systems and gaining access to critical data. Specific measures include awareness campaigns, access controls, and intrusion detection and prevention systems.

Business ethics and legal risks
Business ethics violations and patent and contract disputes are the main risks in this area.
The pharmaceutical industry is tightly regulated in many respects, including which promotional claims it can make about its products and how it can interact with doctors and other healthcare professionals.
In June 2013, news broke in China of a government investigation into the business practices of an international pharmaceutical company. At the same time the Chinese government announced industry-wide measures to crack down on illegal business activities. Subsequently, several companies, including Novo Nordisk, were visited by the authorities. In August, Novo Nordisk's facilities in Tianjin were visited by the local Administration for Industry and Commerce (AIC) and asked to provide information regarding the company's operations in Tianjin City. The investigation has been closed by the AIC with a few observations, which have no material impact on Novo Nordisk's business in China.
This example underlines the potential business ethics risks associated with being a pharmaceutical company. To minimise the risk of violating national and international regulations, over the past decade Novo Nordisk has strengthened its global and regional business ethics compliance programmes. Global governance, a business ethics policy and global business ethics procedures, together with elaborate training programmes and tests for employees, close monitoring of performance, reporting requirements and audits, all aim to mitigate business ethics risks.
In June 2011, Novo Nordisk settled two civil cases with the US Department of Justice regarding alleged improper marketing of NovoSeven®. As part of the settlement, Novo Nordisk's US affiliate entered into a five-year Corporate Integrity Agreement with the Office of the Inspector General of the US Department of Health and Human Services. Under that agreement, the US affiliate has added additional reporting and other procedures to its already robust compliance programme.
Also in the US, Novo Nordisk is a defendant in product liability lawsuits related to hormone therapy products and Victoza®. Read more about these and other pending litigations against Novo Nordisk and investigations involving the company, in note 3.6 on pp 74–76.
Protection of intellectual property through patents is very important for promoting innovation and stimulating long-term economic growth and job creation. Novo Nordisk's business model is based on developing new, innovative products, and when the company makes significant new inventions it will typically seek to patent them. Intellectual property risks occur if, for example, a government does not recognise the validity of patents or is unable to uphold patent rights, or if a competitor infringes a Novo Nordisk patent or challenges its validity.

Novo Nordisk's risk management policy
"In Novo Nordisk we will proactively manage risk to ensure continued growth of our business and to protect our people, assets and reputation. This means that we will:

- utilise an effective and integrated risk management system while maintaining business flexibility
- identify and assess material risks associated with our business
- monitor, manage and mitigate risks."

For more information on Novo Nordisk's risk management process, please visit novonordisk.com/about_us.



Back to Contents

Shares and capital structure

Novo Nordisk has two classes of shares: A shares and B shares. All A shares are owned by Novo A/S – a wholly owned subsidiary of the Novo Nordisk Foundation. Novo Nordisk's B shares are listed on NASDAQ OMX Copenhagen, and on the New York Stock Exchange as American Depository Receipts (ADRs). Through open and proactive communication, the company seeks to provide the basis for fair and efficient pricing of its B shares.

Share capital and ownership

Novo Nordisk's total share capital of DKK 550,000,000 is divided into an A share capital of nominally DKK 107,487,200 and a B share capital of nominally DKK 442,512,800, of which Novo Nordisk A/S and its wholly owned affiliates held nominal DKK 20,570,405 as treasury shares as of 31 December 2013.

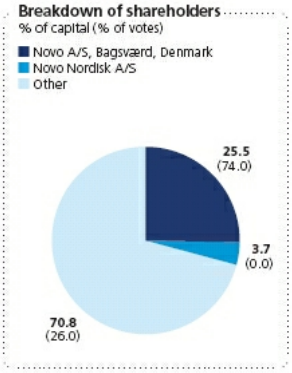
To secure liquidity for both the Novo Nordisk B shares and American Depositary Receipts (ADRs) and bring price levels in line with market practice, especially for the ADRs, a stock split of the Novo Nordisk B shares and ADRs was implemented in January 2014. Following the five for one stock split, Novo Nordisk's A and B shares are calculated in units of DKK 0.20. The ratio of Novo Nordisk's B shares to ADRs remains one-to-one.

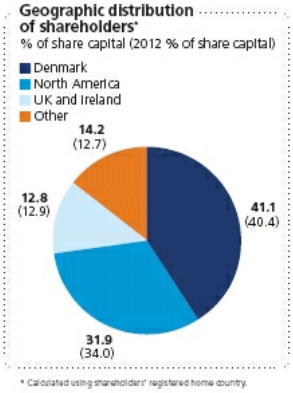
The company's A shares are not listed and are held by Novo A/S, a Danish public limited liability company wholly owned by the Novo Nordisk Foundation. The Novo Nordisk Foundation has a dual objective: to provide a stable basis for commercial and research activities conducted by the companies within the Novo Group (of which Novo Nordisk is the largest), and to support scientific and humanitarian purposes. According to the Articles of Association of the Foundation, the A shares cannot be divested. As of 31 December 2013, Novo A/S also held nominal value DKK 32,762,800 of B share capital. Each A share carries 200 votes and each B share carries 20 votes. With 25.5% of the total share capital, Novo A/S controls 74% of the total number of votes, excluding Novo Nordisk's holding of treasury shares.

The B shares are issued to the bearer but may, on request, be registered in the holder's name in Novo Nordisk's register of shareholders. As Novo Nordisk's B shares are in bearer form, no complete record of all shareholders exists. Based on available sources of information about the company's shareholders as of 31 December 2013, it is estimated that shares were distributed as shown in the charts on this page. As of 31 December 2013, the free float of listed B shares was 87.9%, excluding the Novo A/S holding and Novo Nordisk's holding of treasury shares. For details on share capital, see note 4.1 on pp 78–79.

The capital structure

Novo Nordisk's Board of Directors and Executive Management consider that the current capital and share structure of Novo Nordisk serves the interests of the shareholders and the company well, as it provides strategic flexibility to pursue Novo Nordisk's vision and a good balance between long-term shareholder value creation and competitive shareholder return in the short term. Novo Nordisk's guiding principle is that any excess capital, after the funding of organic growth opportunities and potential acquisitions, is returned to investors. The company applies a pharmaceutical industry payout ratio to dividend payments complemented by share repurchase programmes. As decided at the 2013 Annual General Meeting, a reduction of the company's B share capital, corresponding to approximately 1.8% of the total share capital, was implemented in April 2013 by cancellation of treasury shares. This enabled Novo Nordisk to continue to buy back shares without exceeding the limit for a holding of treasury shares equivalent to 10% of the total share capital. During the 12-month period since the release of the financial results for 2012, Novo Nordisk repurchased shares worth DKK 14 billion. Since 2008, the share repurchase programme has primarily been conducted in accordance with the provisions of European Commission Regulation No 2273/2003 of 22 December 2003 (also known as the Safe Harbour Regulation). In this programme Novo Nordisk appoints financial institutions as lead managers to execute a part of its share repurchase programme independently and without influence from Novo Nordisk.





Share repurchase programme for 1 February 2014 to 31 January 2015

For the next 12 months, Novo Nordisk has decided to implement a new share repurchase programme with an expected total repurchase value of B shares amounting to a cash value of up to DKK 15 billion. Novo Nordisk expects to implement the majority of the new share repurchase programme according to the Safe Harbour Regulation. At the 2014 Annual General Meeting, the Board of Directors will propose a further reduction of the company's B share capital, corresponding to approximately 3.6% of the total share capital, by cancellation of 20 million treasury shares. After implementation of the share capital reduction, Novo Nordisk's share capital will amount to DKK 530,000,000 divided into an A share capital of DKK 107,487,200 and a B share capital of DKK 422,512,800, corresponding to 537,436,000 A shares and 2,112,564,000 B shares of DKK 0.20.

Back to Contents

Share price performance
Novo Nordisk's share price increased by 8.5% from its 2012 close of DKK 916.50 to its 31 December 2013 close of DKK 994.00 for B shares with a nominal value of DKK 1. Following the stock split, the comparable share prices for B shares with a nominal value of DKK 0.20 were DKK 183.30 and DKK 198.80 at the end of 2012 and 2013 respectively. In comparison, the MSCI Europe Health Care and MSCI US Health Care indexes increased by 20% and 36% respectively during 2013. The smaller increase in Novo Nordisk's share price compared with the two indexes is assumed to reflect a negative impact from the delay in the US regulatory process for Tresiba® (insulin degludec), which has only partly been offset by an expanded leadership position in the growing diabetes care market, coupled with a continued improvement in operating margin and encouraging outlook for the rest of the research and development product portfolio. Read more about financial performance on p 6 and about developments in the pipeline on pp 20–21. The total market value of Novo Nordisk's B shares, excluding treasury shares, was DKK 419 billion at the end of 2013.

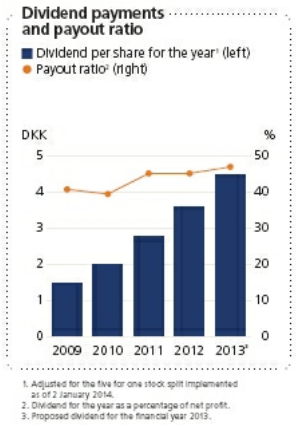
Payment of dividends
As illustrated below Novo Nordisk has continuously increased both the payout ratio and the dividend paid over the last five years. The dividend for 2012 recorded in March 2013 was equal to DKK 3.60 per share of DKK 0.20. At the 2014 Annual General Meeting, the Board of Directors will propose a dividend for 2013 of DKK 4.50 per A and B share of DKK 0.20, as well as for ADRs. The dividend for 2013 represents an increase in the dividend per share of 25% (adjusted for stock split). Novo Nordisk does not pay a dividend on its holding of treasury shares. The proposed dividend corresponds to a payout ratio of 47.1%. For 2012, the payout ratio was 45.3%, whereas Novo Nordisk's peer group of comparable pharmaceuticals companies operated with a payout ratio of 47%. Shareholders' enquiries concerning dividend payments and shareholder accounts should be addressed to Investor Service. Read more on the back cover.

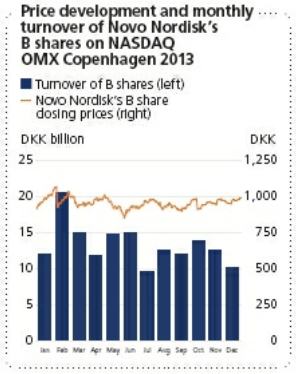
Communication with shareholders
To keep investors updated on performance and the progress of clinical development programmes, Novo Nordisk hosts conference calls with Executive Management following key events and the release of financial results. Executive Management and Investor Relations also travel extensively to ensure that all investors with a major holding of Novo Nordisk shares can meet with the company on a regular basis and that a number of smaller investors and potential investors also have access to the company's Management and Investor Relations.

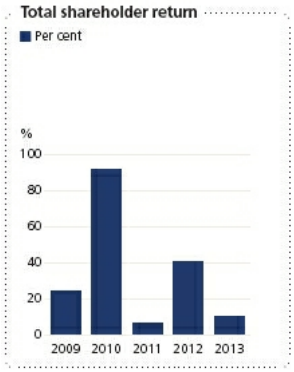
Analyst coverage
Novo Nordisk is currently covered by 34 sell-side analysts, including the major global investment banks that regularly produce research reports on Novo Nordisk. A list of analysts covering Novo Nordisk can be found at novonordisk.com/investors, where company announcements from 1995 onwards, financial, social and environmental results, a calendar of investor-relevant events, investor presentations, background information etc are also available.

Novo Nordisk's share performance compared with benchmark indexes

Total price development in the period up to 31 December 2013	1 year	3 years	5 years
Novo Nordisk's B shares on NASDAQ OMX, DKK	8%	58%	267%
Novo Nordisk's ADRs on the New York Stock Exchange, USD	13%	64%	260%
NASDAQ OMX Copenhagen 20 Index	24%	35%	148%
MSCI Europe Health Care Index	20%	39%	48%
MSCI US Health Care Index	36%	92%	108%







Back to Contents

Corporate **governance**

In 2013, the Board of Directors established a Nomination Committee to enhance the process for nominating members to the Board of Directors. The Board of Directors also increased its diversity ambition and set new targets for 2017.

Back to Contents

Governance structure

Shareholders
Shareholders have ultimate authority over the company and exercise their rights to make decisions at general meetings in person, by proxy or by correspondence. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require two-thirds of votes cast and capital represented, unless other adoption requirements are imposed by the Danish Companies Act. Novo Nordisk is not aware of the existence of any agreements with or between shareholders on the exercise of votes or control of the company.
At the annual general meeting, shareholders approve the annual report and any amendments to the company's Articles of Association. Shareholders also elect board members and the independent auditor.
Novo Nordisk's share capital is divided into A shares and B shares. Special rights attached to A shares include pre-emptive subscription rights in the event of an increase of the A share capital, pre-emptive purchase rights in the event of a sale of A shares and priority dividend if the dividend is below 0.5%. B shares take priority for dividends between 0.5% and 5% and for liquidation proceedings. Read more about shares and capital structure on pp 44–45.

Board of Directors
Novo Nordisk has a two-tier management structure consisting of the Board of Directors and Executive Management. The two bodies are separate and no one serves as a member of both. The Board of Directors determines the company's overall strategy and follows up on its implementation, supervises the performance, ensures adequate management and organisation, and as such actively contributes to developing the company as a focused, sustainable, global pharmaceutical company. The Board of Directors supervises Executive Management in its decisions and operations. The Board of Directors may also issue new shares or buy back shares in accordance with authorisations granted by the annual general meeting and recorded in the meeting minutes. For minutes from annual general meetings, see novonordisk.com/about_us.
The Board of Directors has 11 members, seven of whom are elected by shareholders and four by employees in Denmark. Shareholder-elected board members serve a one-year term and may be re-elected. Members must retire at the first annual general meeting after reaching the age of 70. Four of the seven shareholder-elected board members are independent as defined by the Danish Corporate Governance Recommendations. Read more on pp 52–53.
A proposal for nomination of board members is presented by the newly established Nomination Committee to the Board of Directors, taking into account required competences as defined by the Board of Directors' competence profile and reflecting the result of a self-assessment process facilitated by internal or external consultants. The assessment process is based on written questionnaires and evaluates the Board of Directors' composition and the skills of its members, including whether each board member and executive participates actively in board discussions and contributes with independent judgement.
To ensure that discussions include multiple perspectives representing the complex, global pharmaceutical environment, the Board of Directors aspires to be diverse in gender and nationality. Currently, one shareholder-elected board member is female and five of the seven shareholder-elected board members are non-Danes. In 2013, the Board of Directors increased its ambition and set out new targets with the aim that by 2017 it will consist of at least two shareholder-elected board members with Danish nationality and at least two shareholder-elected board members with a nationality other than Danish – and at least two shareholder-elected board members of each gender. In accordance with section 99b of the Danish Financial Statements Act, Novo Nordisk discloses its mandatory diversity report at novonordisk.com/annualreport.
The self-assessment conducted in 2013 resulted in a continued focus on discussion of the current critical issues and on management development and succession planning. In order to support continued fulfilment of the Novo Nordisk Way, criteria for board members include integrity, accountability, fairness, financial literacy, commitment and desire for innovation. Members are also expected to have experience of managing major companies that develop, manufacture and market products and services globally. The competence profile, which includes the nomination criteria, is available online at novonordisk.com/about_us.
Under Danish law, Novo Nordisk's employees in Denmark are entitled to be represented by half of the total number of board members elected at the annual general meeting. In 2010, employees elected four board members from among themselves – three male and one female, all Danes. Board members elected by employees serve a four-year term and have the same rights, duties and responsibilities as shareholder-elected board members.
Novo Nordisk's Board of Directors met seven times during 2013.

Chairmanship
The annual general meeting directly elects the chairman and vice chairman of the Board of Directors. The Chairmanship carries out administrative tasks such as planning board meetings to ensure a balance between overall strategy-setting and financial and managerial supervision of the company. Other tasks include reviewing the fixed asset investment portfolio and recommending the remuneration of board members and Executive Management.
In practice, the Chairmanship has the role and responsibility of a remuneration committee, as the Board of Directors considers that each board member must have the opportunity to contribute actively to discussions and have access to all relevant information on remuneration.
In March 2013, the Annual General Meeting elected a new chairman, Göran Ando, and a new vice chairman, Jeppe Christiansen. See novonordisk.com/about_us for a report on the Chairmanship's activities.

Audit Committee
The three members of the Audit Committee are elected by the Board of Directors among its members. Two members qualify as independent and have been designated as financial experts as defined by the US Securities and Exchange Commission (SEC). Under Danish law, two members qualify as financial experts and as independent. In 2013, an employee representative was elected as a member.
The Audit Committee assists the Board of Directors with oversight of the external auditors, the internal audit function, the procedure for handling complaints regarding accounting, internal accounting controls, auditing or financial reporting matters and business ethics matters (whistleblowing), financial, social and environmental reporting, business ethics compliance, post-completion reviews and post-investment reviews of investments, long-term incentive programmes, and in 2013 it was agreed that the Audit Committee also assists with oversight of IT security. In 2013, the Board of Directors re-elected Hannu Ryöppönen as chairman and Liz Hewitt as a member of the Audit Committee and, further, elected Stig Strøbæk as a new member. See novonordisk.com/about_us for a report on the Audit Committee's activities.

Nomination Committee
In 2013, the Board established a Nomination Committee consisting of four members to enhance the process for nominating members to the Board of Directors. Two members qualify as independent, while one member is an employee representative. The Nomination Committee assists the Board with oversight of the competence profile and composition of the Board, nomination of members and committees, and other tasks on an ad hoc basis as specifically decided by the Board. In 2013, the Board of Directors elected Göran Ando as chairman and Bruno Angelici, Liz Hewitt and Anne Marie Kverneland as members of the Nomination Committee. See novonordisk.com\about_us for a report on the Nomination Committee's activities.

Executive Management
The Board of Directors has delegated responsibility for day-to-day management of Novo Nordisk to its Executive

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Back to Contents

Management. In 2013, two new executives were appointed and Executive Management now consists of the president and chief executive officer plus six executives. They are responsible for overall conduct of the business and all operational matters, for organisation of the company as well as allocation of resources, determination and implementation of strategies and policies, direction-setting, and ensuring timely reporting and provision of information to the Board of Directors and Novo Nordisk's stakeholders. Executive Management meets at least once a month and often more frequently. The Board of Directors appoints members of Executive Management and determines remuneration. The Chairmanship reviews the performance of the executives.

Assurance

External audit
The company's financial reporting and the internal controls over financial reporting processes are audited by an independent audit firm elected at the annual general meeting. The auditor acts in the interest of shareholders and expresses an audit opinion on the annual report as well as reporting any significant audit findings to the Audit Committee and the Board of Directors. As part of Novo Nordisk's commitment to its social and environmental responsibility, the company voluntarily includes an assurance report for social and environmental reporting in the annual report. The assurance provider reviews whether the social and environmental performance information covers aspects deemed to be material and verifies the internal control processes for the information reported.

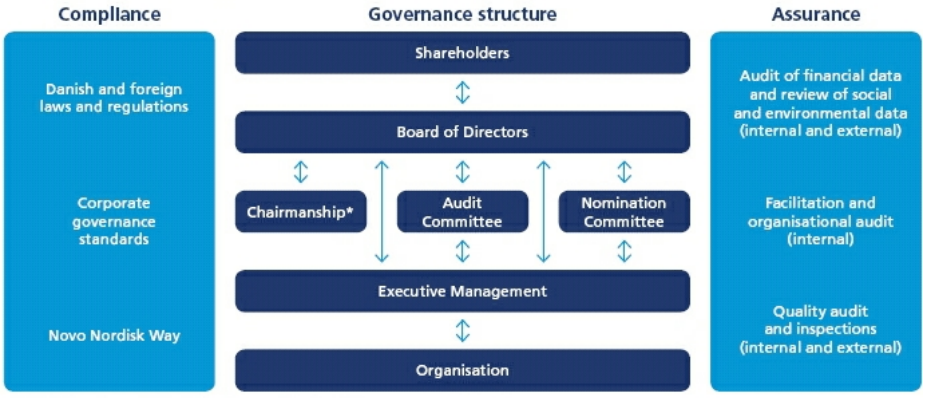
Internal audit
Novo Nordisk's internal audit function provides independent and objective assurance, primarily within internal control of financial processes and business ethics.
To ensure that the internal financial audit function works independently of Executive Management, its charter, audit plan and budget are approved by the Audit Committee. The Audit Committee reviews the result of the audits and must approve the appointment, remuneration and dismissal of the head of the internal audit function.
Three other types of assurance activity – quality audits, organisational audits and values audits, called facilitations – help ensure that the company adheres to high-quality standards and operates in accordance with the Novo Nordisk Way.

Compliance
Novo Nordisk's B shares are listed on NASDAQ OMX Copenhagen and on the New York Stock Exchange (NYSE) as American Depository Receipts (ADRs). The applicable corporate governance codes for each stock exchange and a review of Novo Nordisk's compliance are available at novonordisk.com/about_us.
In accordance with section 107b of the Danish Financial Statements Act, Novo Nordisk discloses its mandatory corporate governance report at novonordisk. com/about_us/corporate_governance/compliance.asp.
In 2013, new Danish corporate governance recommendations were introduced, and Novo Nordisk adheres to all but the following:

- The Board of Directors has not established a remuneration committee (but in practice the Chairmanship has such role).
- Current employment contracts for Executive Management allow in some instances for severance payments of more than 24 months' fixed base salary plus pension contribution.
- The majority of the Nomination Committee's members are not independent. It consists of two members who are not independent, including the Chairman, and two members who are independent.

The reasons for deviating from the first two recommendations are given on pp 47 and 50. The reason for deviating from the third recommendation is that the Board of Directors finds that this composition of the Nomination Committee allows for both a representative of the majority shareholder as well as an employee representative to be on the Nomination Committee, while keeping it small.
Novo Nordisk complies with the corporate governance standards of NYSE applicable to foreign listed private issuers.
As a controlled company, Novo Nordisk is not obliged to comply with all standards established by NYSE. Furthermore, Novo Nordisk as a foreign private issuer is permitted to follow home country practice, which is the case in relation to independence requirements, audit committee, equity compensation plans, code of business conduct and ethics, and CEO certification.
The Novo Nordisk Way outlines the company's ambitions and the values that characterise the way Novo Nordisk does business and interacts with its stakeholders. Furthermore, it sets the direction for and applies to all employees in Novo Nordisk. Read more about the Novo Nordisk Way on p 4.
Novo Nordisk is part of the Novo Group and adheres to the Charter for Companies in the Novo Group, which is available online at novo.dk. However, all strategic and operational matters are solely decided by the Board of Directors and Executive Management of Novo Nordisk. Read more about the Novo Group on p 44.

Corporate governance codes and practices



*** The Chairmanship is directly elected by the annual general meeting.**

Back to Contents

Remuneration

At the Annual General Meeting in 2013, Novo Nordisk's shareholders approved that the maximum allocation for both the short- and long term incentive programmes for Executive Management was increased to 12 months' base salary plus pension contribution. This was done to ensure flexibility for the Board of Directors in executive remuneration, as the benchmark had shown that elements of the executive remuneration were below market levels.

Remuneration of the Board of Directors and Executive Management is assessed on an annual basis against a benchmark of Nordic companies as well as European pharmaceutical companies that are similar to Novo Nordisk in size, complexity and market capitalisation. The results are presented to the Board of Directors by the chairman at its October meeting. The company strives for simplicity when composing the remuneration package, and its remuneration principles provide guidance for remuneration of the Board of Directors and Executive Management. These principles are available at novonordisk.com/about_us/corporate_governance/remuneration.asp.

Board of Directors' remuneration
The remuneration of Novo Nordisk's Board of Directors comprises a fixed base fee, a multiplier of the fixed base fee for the Chairmanship and members of the company's Audit Committee and Nomination Committee, fees for ad hoc tasks and a travel allowance.
At the December meeting, the Board of Directors agrees on recommendations for remuneration levels for the next financial year. In connection with the approval of the annual report, the Board of Directors endorses the actual remuneration for the past financial year and the recommendation on remuneration levels for the current financial year. These are then presented to the annual general meeting for approval.

Travel and other expenses
All board members who reside outside Denmark are paid a fixed travel allowance: 3,000 euros for Europe-based board members and 6,000 euros for board members based outside Europe. Otherwise, no travel allowance is paid to board members when attending board meetings outside Denmark. Expenses such as travel and accommodation in relation to board meetings as well as relevant continuing education are reimbursed. Novo Nordisk also pays social security taxes imposed by foreign authorities and bank transfer fees.

Variable remuneration
Board members are not offered stock options, warrants, restricted stock or participation in other incentive schemes.

Executive Management's remuneration
The remuneration of Novo Nordisk's Executive Management is proposed by the Chairmanship and approved by the Board of Directors. Remuneration packages for executives comprise a fixed base salary, a cash-based incentive, a share-based incentive, a pension contribution and other benefits. The split between fixed and variable remuneration is intended to result in a reasonable part of the salary being linked to performance, while promoting sound, long-term business decisions to achieve the company's objectives. All incentives are subject to claw-back if it is subsequently determined that payment was based on information that was manifestly misstated.

Fixed base salary
The fixed base salary is intended to attract and retain executives with the professional and personal competences required to drive the company's performance.

Cash-based incentive
The cash-based incentive is designed to incentivise individual performance and achievement of a number of predefined short-term functional and individual business targets linked to goals in the company's Balanced Scorecard. Short-term targets for the chief executive officer are fixed by the chairman of the Board of Directors, while the targets for the other members of Executive Management are fixed by the chief executive officer. The Chairmanship evaluates the degree of achievement for each member of Executive Management based on input from the chief executive officer.

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Board of Directors

In 2013, the base fee for members of the Board of Directors was DKK 500,000 (DKK 500,000 in 2012)

	2013				2012			
DKK million	Fixed base fee	Fee for ad hoc tasks and committee work	Travel allowance	**Total**	Fixed base fee	Fee for ad hoc tasks and committee work	Travel allowance	Total
Göran Ando[3, 4] (chairman of the Board and of the Nomination Committee)	1.4	–	0.1	1.5	1.0	–	0.1	1.1
Jeppe Christiansen[1] (vice chairman of the Board)	0.8	–	–	0.8	–	–	–	–
Hannu Ryöppönen (chairman of the Audit Committee)	0.5	0.5	0.1	1.1	0.5	0.4	0.1	1.0
Liz Hewitt[1] (member of the Audit Committee and the Nomination Committee)	0.5	0.3	0.1	0.9	0.4	0.2	0.1	0.7
Stig Strøbæk (member of the Audit Committee)	0.5	0.2	–	0.7	0.5	–	–	0.5
Bruno Angelici (member of the Nomination Committee)	0.5	0.1	0.1	0.7	0.5	–	0.1	0.6
Henrik Gürtler	0.5	–	–	0.5	0.5	–	–	0.5
Ulrik Hjulmand-Lassen	0.5	–	–	0.5	0.5	–	–	0.5
Thomas Paul Koestler	0.5	–	0.3	0.8	0.5	–	0.3	0.8

Anne Marie Kverneland (member of the Nomination Committee)	0.5	0.1	–	0.6	0.5	–	–	0.5
Søren Thuesen Pedersen	0.5	–	–	0.5	0.5	–	–	0.5
Steen Scheibye[2]	0.4	–	–	0.4	1.5	–	–	1.5
Kurt Anker Nielsen[2]	0.1	0.1	–	0.2	0.5	0.3	–	0.8
Jørgen Wedel[2]	–	–	–	–	0.1	0.1	0.1	0.3
Total	7.2	1.3	0.7	**9.2**[5]	7.5	1.0	0.8	9.3[5]

1. Liz Hewitt was first elected at the Annual General Meeting in March 2012, and Jeppe Christiansen was first elected at the Annual General Meeting in March 2013.
2. Jørgen Wedel resigned as of March 2012. Steen Scheibye and Kurt Anker Nielsen resigned as of March 2013.
3. Novo Nordisk provides secretarial assistance to the chairman in Denmark and the UK.
4. As Göran Ando also holds the position of chairman of the Board, he has not received a fee as chairman of the Nomination Committee.
5. In addition, social security taxes have been paid by Novo Nordisk amounting to less than DKK 1 million (less than DKK 1 million in 2012).

Back to Contents

In 2013, the Annual General Meeting approved that the maximum allocation per year cannot exceed 12 months' base salary plus pension contribution, and in March the Board of Directors determined that the 2013 maximum would be up to 10 months.

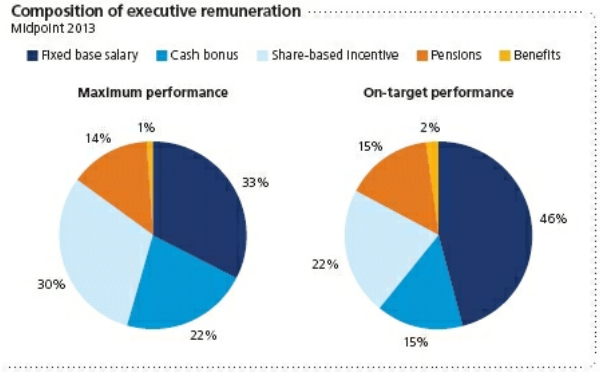
Share-based incentives
The long-term share-based incentive programme is designed to promote the collective performance of Executive Management and align the interests of executives and shareholders. Share-based incentives are linked to both financial and non-financial targets.
The long-term incentive programme is based on a calculation of shareholder value creation compared with planned performance. In line with Novo Nordisk's long-term financial targets, the calculation of shareholder value creation is based on reported operating profit after tax reduced by a weighted average cost of capital-based return requirement on average invested capital. A proportion of the calculated shareholder value creation is allocated to a joint pool for the participants, who include Executive Management and other members of the Senior Management Board.

Non-financial targets are determined on the basis of an assessment of the objectives regarded as particularly important to the fulfilment of the company's long-term performance. These are typically related to reaching specific milestones within research and development, such as execution of trials, product approvals and product launches, or milestones within sustainability related to patients, environment, company reputation and development of employees. The total number of non-financial targets varies, but is typically made up of 10–15 targets within five to six categories.
In 2013, the Annual General Meeting approved that the maximum allocation per year cannot exceed 12 months' base salary plus pension contribution and in March the Board of Directors determined that the 2013 maximum for Executive Management would be nine months. If the financial target is met for economic profit, and at least 85% performance is reached on non-financial targets, the allocation to the joint pool would correspond to 4½ months' base salary plus pension contribution for Executive Management.
This pool is then converted into Novo Nordisk B shares, which in any given year are locked up for three years before they are transferred to the participants. The shares in the joint pool are allocated to the participants prorated according to their base salary as per 1 April in any given year. If a participant resigns during the lock-up period, his or her shares will remain in the joint pool for the benefit of the other participants.
Further information on Novo Nordisk's share-based incentives is available online at novonordisk.com/about_us.

Pension
Pension contributions are paid to enable executives to build up an income for retirement.

Other benefits
Other benefits are added to ensure that overall remuneration is competitive and aligned with local practice. Such benefits are approved by the Board of Directors via delegation of powers to the Chairmanship. In addition, executives may participate in employee benefit programmes such as employee share purchase programmes.

Severance payment
Novo Nordisk may terminate employment by giving executives 12 months' notice. Executives may terminate their employment by giving Novo Nordisk six months' notice. In addition to the notice period, executives are entitled to a severance payment. Current employment contracts allow severance payments of up to 36 months' fixed base salary plus pension contribution in the event of a merger, acquisition or takeover of Novo Nordisk. If an executive's employment is terminated by Novo Nordisk for other reasons, the severance payment is three months' fixed base salary plus pension contribution per year of employment as an executive, taking into account previous employment history. In no event will the severance payment be less than 12 months' or more than 36 months' fixed base salary plus pension contribution.
The existing employment contracts will not be changed. For the two executives who joined Executive Management in 2013 and for all future employment contracts for executives, the severance payment will be no more than 24 months' fixed base salary plus pension contribution, which will bring Novo Nordisk into alignment with the Danish Corporate Governance Recommendations in the long term.



Remuneration package components

Remuneration	Board of Directors	Executive Management	Comments relating to Executive Management
Fixed fee/base salary	✓	✓	Accounts for 30–55% of the total value of the remuneration package*
Fee for committee work	✓	✗	
Fee for ad hoc tasks	✓	✗	
Cash bonus	✗	✓	Up to 6–10 months' fixed base salary + pension contribution per year
Share-based incentive	✗	✓	Up to 9 months' fixed base salary + pension contribution per year
Pensions	✗	✓	25–30% of fixed base salary and cash-based incentive
Travel and other expenses	✓	✗	
Benefits	✗	✓	Non-monetary benefits such as company car and phone
Severance payment	✗	✓	Up to 24 months' fixed base salary + pension. The employment contracts entered into before 2008 exceed the 24-month limit, though will not exceed 36months' fixed base salary plus pension contribution

* The interval 30–55% states the span between 'maximum performance' and 'on-target performance'.

Back to Contents

Delayed approval of Tresiba® in the US reduces share allocation in the 2013 incentive programme

While Novo Nordisk exceeded the planned financial performance in 2013, the company did not meet its target of having Tresiba® approved in the US due to the Complete Response Letter from the US Food and Drug Administration (FDA) in February. This event also entailed that the target for the submission of IDegLira for regulatory approval to the FDA could not be met. As a consequence of these shortcomings, the allocation of shares under the long-term incentive programme was reduced. For 2013, Executive Management was allocated an amount equal to 4.75 months' fixed base salary plus pension contribution per member compared with a potential maximum allocation of nine months.

Remuneration of the Executive Management and other members of the Senior Management Board

	2013						2012					
DKK million	Fixed base salary	Cash bonus	Pension	Benefits	Share-based incentive	**Total**	Fixed base salary	Cash bonus	Pension	Benefits	Share-based incentive	Total
Executive Management												
Lars Rebien Sørensen	10.1	5.1	3.8	0.3	–	19.3	8.4	2.9	2.8	0.3	–	14.4
Jesper Brandgaard	5.7	2.4	2.0	0.3	–	10.4	4.8	1.6	1.6	0.3	–	8.3
Lars Fruergaard Jørgensen[1]	4.1	1.4	1.4	0.3	–	7.2	–	–	–	–	–	–
Lise Kingo	5.1	1.9	1.8	0.3	–	9.1	4.3	1.1	1.4	0.3	–	7.1
Jakob Riis[1]	4.1	1.4	1.4	0.3	–	7.2	–	–	–	–	–	–
Kåre Schultz	6.3	2.7	2.4	0.3	–	11.7	5.2	1.4	1.7	0.3	–	8.6
Mads Krogsgaard Thomsen	5.7	2.4	2.0	0.3	–	10.4	4.8	1.6	1.6	0.3	–	8.3
Executive Management in total	41.1	17.3	14.8	2.1	–	75.3	27.5	8.6	9.1	1.5	–	46.7
Other members of the Senior Management Board in total[2]	82.74	32.3	25.5	14.4	–	154.9	72.14	25.0	22.3	8.4	–	127.8
Share allocation[3]					51.5	**51.5**					73.1	73.1

1. Effective 31 January 2013, Novo Nordisk's Executive Management was expanded to include two new members, Jakob Riis and Lars Fruergaard Jørgensen.
2. The total remuneration for 2013 includes remuneration to 33 senior vice presidents (26 in 2012), five of whom have retired or left the company (none in 2012). The 2013 remuneration for the retired senior vice presidents is included in the table above, whereas severance payments of DKK 57.2 million are not included.
3. The joint pool of shares is locked up for three years before it is transferred to the participants employed at the end of the three-year period. The value is the cash amount of the share bonus granted in the year using the grant-date market value of Novo Nordisk B shares. Based on the split of participants at the establishment of the joint pool, approximately 40% of the pool will be allocated to the members of Executive Management and 60% to other members of the Senior Management Board (2012: 30% and 70%, respectively). In the lock-up period, the joint pool may potentially be reduced in the event of lower-than-planned value creation in subsequent years.
4. Including social security taxes paid amounting to DKK 2.0 million (DKK 1.5 million in 2012).

Management's long-term incentive programme

The shares allocated to the joint pool for 2010 (842,880 shares) were released to the individual participants subsequent to the approval of the Annual Report 2013 by the Board of Directors and the announcement on 30 January 2014 of the full-year financial results for 2013. Based on the share price at the end of 2013, the value of the released shares is as follows:

Value as at 31 December 2013 of shares released on 30 January 2014	Number of shares	Market value[1] (DKK million)
Executive Management		
Lars Rebien Sørensen	74,985	14.9
Jesper Brandgaard	49,990	9.9
Lars Fruergaard Jørgensen	24,995	5.0
Lise Kingo	49,990	9.9
Jakob Riis	24,995	5.0
Kåre Schultz	49,990	9.9
Mads Krogsgaard Thomsen	49,990	9.9
Executive Management in total	324,935	64.5
Other members of the Senior Management Board in total[2]	392,970	78.1

1. The market value of the shares released in 2014 is based on the Novo Nordisk B share price of DKK 198.80 at the end of 2013.
2. In addition, 124,975 shares (market value: DKK 24.8 million) were released to retired members of the Senior Management Board.

Lars Rebien Sørensen serves as a board member of Danmarks Nationalbank, from which he received remuneration of DKK 22,232 in 2013 (DKK 22,012 in 2012), as a member of the Supervisory Board of Bertelsmann AG, from which he received remuneration of EUR 122,000 in 2013 (EUR 129,000 in 2012) and as a board member of Thermo Fisher Scientific Inc, from which he received remuneration of USD 314,786 in 2013 (USD 219,840 in 2012). Jesper Brandgaard serves as chairman of the Board of Directors of SimCorp A/S, from which he received remuneration of DKK 871,068 in 2013 (DKK 801,846 in 2012).

Kåre Schultz serves as a board member of LEGO A/S, from which he received remuneration of DKK 350,000 in 2013 (DKK 300,000 in 2012). Kåre Schultz also serves as chairman of the Board of Directors of Royal Unibrew A/S, from which he received remuneration of DKK 625,000 in 2013 (DKK 625,000 in 2012). Mads Krogsgaard Thomsen serves as a board member of the University of Copenhagen, from which he received remuneration of DKK 40,500 in 2013 (DKK 79,800 in 2012). Lise Kingo serves as a board member of Grieg Star Group AS from April 2013, from which she received remuneration of NOK 225,000. Jakob Riis serves as a board member of ALK-Abelló A/S, from which he received remuneration of DKK 375,000 in 2013.

Back to Contents

Board of Directors

Göran Ando (chair)

Formerly CEO of Celltech Group plc, UK (retired). Member of the Board of Novo Nordisk A/S in 2005, vice chair since 2006, chair since 2013 and chair of the Nomination Committee since 2013.
Management duties: Symphogen A/S, Denmark (chair), member of the boards of Novo A/S, Denmark, Molecular Partners AG, Switzerland, Archimedes Pharma Ltd., UK, and RAND Health, US. Senior advisor to Essex Woodlands Health Ventures Ltd., UK.
Special competences: Medical qualifications and extensive executive background within the international pharmaceutical industry.
Education: Specialism in general medicine (1978) and degree in medicine (1973), both from Linköping Medical University, Sweden.

Jeppe Christiansen (vice chair)

Chief executive officer of Fondsmæglerselskabet Maj Invest A/S, Denmark. Vice chair of the Board of Novo Nordisk A/S since 2013.
Management duties: Member of the boards of Novo A/S, Haldor Topsøe A/S, KIRKBI A/S and Symphogen A/S, all in Denmark.
Special competences: Extensive background and experience within the financial sector, in particular in relation to financial and capital market issues, as well as insight into the investor perspective.
Education: MSc in Economics (1985) from the University of Copenhagen, Denmark.

Bruno Angelici

Formerly executive vice president of AstraZeneca (retired). Member of the Board of Novo Nordisk A/S since 2011 and member of the Nomination Committee since 2013.
Management duties: Member of the boards of Smiths Group plc and Vectura Group plc, both in the UK, and Wolters Kluwer, the Netherlands. Member of the Global Advisory Board at Takeda Pharmaceutical Company Limited, Japan.
Special competences: Extensive global experience with two companies in the fields of pharmaceuticals and medical devices, and in-depth knowledge of strategy, sales, marketing and governance of major companies.
Education: AMP (1993) from Harvard Business School and MBA (1978) from Kellogg School of Management at Northwestern University, both in the US. Law degree (1973) from Reims University and BA in Business Administration (1971) from École Supérieure de Commerce de Reims, both in France.

Henrik Gürtler

President and CEO of Novo A/S, Denmark, since 2000. Formerly a member of Corporate Management of Novo Nordisk A/S with special responsibility for Corporate Staffs. Member of the Board of Novo Nordisk A/S since 2005.
Management duties: Novozymes A/S (chair) and Copenhagen Airports A/S (chair), both in Denmark.
Special competences: Knowledge of the Novo Group's business and its policies, and knowledge of the international biotech industry.
Education: MSc in Chemical Engineering (1976) from the Technical University of Denmark.

Liz Hewitt

Formerly Group Director Corporate Affairs of Smith & Nephew plc, UK (retired). Member of the Board of Novo Nordisk A/S since 2012, and member of the Audit Committee since 2012 and the Nomination Committee since 2013.
Management duties: Member of the board, audit committee (chair), remuneration committee and nomination committee of Synergy Health plc and member of the board of Melrose Industries plc, both in the UK. External member of the audit committee of the House of Lords, UK.
Special competences: Extensive experience within the field of medical devices, significant financial knowledge and knowledge of how large international companies operate.
Education: BSc (Econ) (Hons) (1977) from University College London, UK, and FCA (UK Institute of Chartered Accountants) (1982).

Ulrik Hjulmand-Lassen

Advanced IT quality advisor in the IT QA Office. Member of the Board of Novo Nordisk A/S since 2010.
Education: CISM (2011). Trained as an MCSA/IT Security (2009) and as an ISO 9001 lead auditor (2006). BSc (1985) from the Technical University of Denmark/DIA-E.

Name (male/female)	First elected	Term	Nationality	Born	Independence[1]
Göran Ando (m)	2005	2014	Swedish	March 1949	Not independent[2]
Jeppe Christiansen (m)	2013	2014	Danish	November 1959	Not independent[2]
Bruno Angelici (m)	2011	2014	French	April 1947	Independent
Henrik Gürtler (m)	2005	2014	Danish	August 1953	Not independent[2]
Liz Hewitt (f)	2012	2014	British	November 1956	Independent[4,5]
Ulrik Hjulmand-Lassen[3] (m)	2010	2014	Danish	April 1962	Not independent

1. As designated by NASDAQ OMX Copenhagen in accordance with section 3.2.1 of *Recommendations on Corporate Governance* (2013). **2.** Member of Management or the

Board of Novo A/S. **3.** Elected by employees of Novo Nordisk.

Back to Contents

Thomas Paul Koestler

Executive with Vatera Holdings LLC, US. Member of the Board of Novo Nordisk A/S since 2011.
Management duties: Melinta Therapeutics Inc. (chair), US. Member of the boards of Momenta Pharmaceuticals Inc., ImmusanT Inc. and Arisaph Pharmaceuticals Inc., all in the US.
Special competences: Extensive R&D knowledge, both generally and within the field of regulatory affairs. Significant know-how about the pharmaceutical industry in general and how large international corporations operate. Additional knowledge of the US market. **Education:** PhD in Medicine & Pathology (1982) from the Roswell Park Memorial Institute and BSc in Biology (1975) from Daemen College, both in the US.

Anne Marie Kverneland

Laboratory technician and full-time shop steward. Member of the Board of Novo Nordisk A/S since 2000 and member of the Nomination Committee since 2013.
Education: Degree in Medical Laboratory Technology (1980) from Copenhagen University Hospital, Denmark.

Søren Thuesen Pedersen

External affairs director in Quality Intelligence. Member of the Board of Novo Nordisk A/S since 2006.
Management duties: Member of the board of the Novo Nordisk Foundation since 2002.
Education: BSc in Chemical Engineering (1988) from the Engineering Academy of Denmark.

Hannu Ryöppönen

Formerly CFO and deputy CEO of Stora Enso Oyj, Finland (retired). Member of the Board of Novo Nordisk A/S since 2009 and chair of the Audit Committee since 2012 (member since 2009).
Management duties: Private equity funds Altor 2003 GP Limited (chair), Altor Fund II GP Limited (chair) and Altor III GP Limited (chair), all in Jersey, Channel Islands. BillerudKorsnäs AB (chair), Sweden. Member of the boards of Amer Sports Oyj, Finland, and the private equity fund Value Creation Investments Limited, Jersey, Channel Islands. Chair of the audit committee of Amer Sports Oyj, Finland.
Special competences: International executive background and thorough understanding of managing finance operations in global organisations, in particular in relation to accounting, financial and capital market issues, but also experience in private equity and mergers & acquisitions (M&A).
Education: BA in Business Administration (1976) from Hanken School of Economics, Helsinki, Finland.

Stig Strøbæk

Electrician and full-time shop steward. Member of the Board of Novo Nordisk A/S since 1998 and member of the Audit Committee since 2013.
Management duties: Member of the board of the Novo Nordisk Foundation since 1998.
Education: Diploma as an electrician. Diploma in further training for board members (2003) from the Danish Employees' Capital Pension Fund (LD).

Name (male/female)	First elected	Term	Nationality	Born	Independence[1]
Thomas Paul Koestler (m)	2011	2014	American	June 1951	Independent
Anne Marie Kverneland[3] (f)	2000	2014	Danish	July 1956	Not independent
Søren Thuesen Pedersen[3] (m)	2006	2014	Danish	December 1964	Not independent
Hannu Ryöppönen (m)	2009	2014	Finnish	March 1952	Independent[4,5]
Stig Strøbæk[3] (m)	1998	2014	Danish	January 1964	Not independent

4. Mr Ryöppönen and Ms Hewitt qualify as independent Audit Committee members as defined by the US Securities and Exchange Commission (SEC). **5.** Mr Ryöppönen and Ms Hewitt qualify as independent Audit Committee members as defined under part 8 of the Danish Act on Approved Auditors and Audit Firms.

Back to Contents

Executive Management

Lars Rebien Sørensen

President and chief executive officer*

Lars Rebien Sørensen joined Novo Nordisk's Enzymes Marketing in 1982. Over the years, he has completed several overseas postings, including in the Middle East and the US. He was appointed a member of Corporate Management in May 1994, and in December 1994 was given special responsibility within Corporate Management for Health Care. He was appointed president and chief executive officer in November 2000.
Other management duties: Member of the boards of Danmarks Nationalbank, Denmark, and Thermo Fisher Scientific Inc., US. Member of the Bertelsmann AG Supervisory Board, Germany.
Born: October 1954.

Kåre Schultz

Chief operating officer*

Kåre Schultz joined Novo Nordisk in 1989 as an economist in Health Care, Economy & Planning. In November 2000, he was appointed executive vice president and chief of staffs. In March 2002, he took over the position of executive vice president and chief operating officer.
Other management duties: Chair of the board of Royal Unibrew A/S and member of the board of LEGO A/S, both in Denmark.
Born: May 1961.

Jesper Brandgaard

Chief financial officer

Jesper Brandgaard joined Novo Nordisk in 1999 as senior vice president of Corporate Finance. He was appointed executive vice president and chief financial officer in November 2000.
Other management duties: Chair of the boards of SimCorp A/S and NNIT A/S, both in Denmark.
Born: October 1963.

Lars Fruergaard Jørgensen

Chief information officer

Lars Fruergaard Jørgensen joined Novo Nordisk in 1991 as an economist in Health Care, Economy & Planning and has over the years completed overseas postings in the US and Japan. In 2004, he was appointed senior vice president for IT & Corporate Development. In January 2013, he was appointed executive vice president and chief information officer, assuming responsibility for IT, Quality & Corporate Development.
Other management duties: Vice chair of the board of NNE Pharmaplan A/S and member of the board of NNIT A/S, both in Denmark.
Born: November 1966.

Lise Kingo

Chief of staffs

Lise Kingo joined Novo Industry A/S in 1988 and worked over the years to build up the company's Triple Bottom Line business principle. In 1999, she was appointed senior vice president, Stakeholder Relations. In 2002, she was appointed executive vice president and chief of staffs, assuming global responsibility for Corporate Relations. She is adjunct professor at the Medical Faculty, Vrije Universiteit, Amsterdam, the Netherlands.
Other management duties: Chair of the board of Steno Diabetes Center A/S, Denmark, and member of the board of Grieg Star Group AS, Norway. Chair of the Danish Council for Corporate Responsibility.
Born: August 1961.

Jakob Riis

Executive vice president of Marketing & Medical Affairs

Jakob Riis joined Novo Nordisk in 1996 as a health economist. From 2001 to 2005, he worked first in the US sales force and then as head of marketing in Japan. In 2005, he was appointed senior vice president for International Marketing. In January 2013, he was appointed executive vice president, assuming responsibility for Marketing & Medical Affairs.
Other management duties: Chair of the board of Copenhagen Institute of Interaction Design and member of the board and audit committee of ALK-Abelló A/S, both in Denmark.
Born: April 1966.

Mads Krogsgaard Thomsen

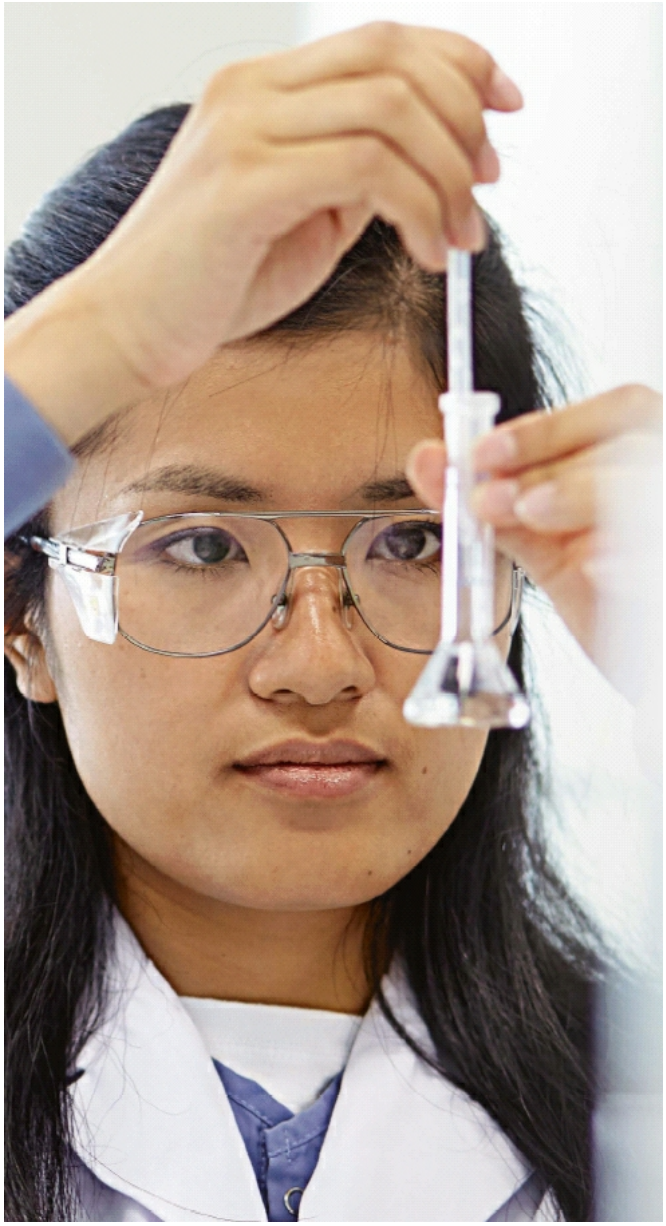
Chief science officer

Mads Krogsgaard Thomsen joined Novo Nordisk in 1991 as head of Growth Hormone Research. He was appointed executive vice president and chief science officer in November 2000. He is a member of the editorial boards of international journals. He has served as president of the National Academy of Technical Sciences (ATV), Denmark. He is adjunct professor of pharmacology at the Royal Veterinary and Agricultural University (now the Faculty of Health and Medical Sciences of the University of Copenhagen), Denmark.
Other management duties: Member of the board of the University of Copenhagen, Denmark.
Born: December 1960.

* Effective 30 January 2014, Kåre Schultz is appointed president and chief operating officer. Lars Rebien Sørensen continues as chief executive officer.

Back to Contents

Consolidated financial, social and environmental statements 2013



As Novo Nordisk's business continues to develop, the company remains committed to documenting its performance via its integrated reporting. The Consolidated financial, social and environmental statements are structured to increase focus on what drives the company's performance in accordance with the Triple Bottom Line business principle.

Within each of the financial, social and environmental statements, the notes are grouped into sections based on how Novo Nordisk views its business. Each of the statements includes an overview of the sections and notes, and each of the sections has an introduction explaining the link between how the company does business and how this is reflected in Novo Nordisk's financial, social and environmental statements. The disclosures in the notes are structured to provide full transparency on the disclosed amounts, describing the relevant accounting policy, key accounting estimates and numerical disclosure for each note

Juan Jenny Li works as a chemistry professional in Novo Nordisk's Research and Development Centre in Beijing.

Back to Contents

Income statement

and Statement of comprehensive income for the year ended 31 December

DKK million	Note	2013	2012	2011
Income statement				
Net sales	2.1, 2.2	83,572	78,026	66,346
Cost of goods sold	2.2, 2.3	14,140	13,465	12,589
Gross profit		69,432	64,561	53,757
Sales and distribution costs	2.2, 2.3	23,380	21,544	19,004
Research and development costs	2.2, 2.3	11,733	10,897	9,628
Administrative costs	2.2, 2.3	3,508	3,312	3,245
Licence income and other operating income, net	2.2, 2.3, 5.6	682	666	494
Operating profit		31,493	29,474	22,374
Financial income	4.7	1,702	125	514
Financial expenses	4.7	656	1,788	963
Profit before income taxes		32,539	27,811	21,925
Income taxes	2.4	7,355	6,379	4,828
Net profit for the year		**25,184**	21,432	17,097
Earnings per share				
Basic earnings per share (DKK)[1]	4.1	9.40	7.82	6.05
Diluted earnings per share (DKK)[1]	4.1	9.35	7.77	6.00

DKK million	Note	2013	2012	2011
Statement of comprehensive income				
Net profit for the year		25,184	21,432	17,097
Other comprehensive income:				
Items that will not be reclassified subsequently to the Income statement:				
Remeasurements of defined benefit plans	3.7	54	(281)	–
Items that will be reclassified subsequently to the Income statement when specific conditions are met:				
Exchange rate adjustments of investments in subsidiaries		(435)	(172)	(173)
Cash flow hedges, realisation of previously deferred (gains)/losses		(809)	1,182	658
Cash flow hedges, deferred gains/(losses) incurred during the period		1,195	849	(1,170)
Other items		75	35	(20)
Tax on other comprehensive income, income/(expense)	2.4	(211)	(587)	190
Other comprehensive income for the year, net of tax		**(131)**	1,026	(515)
Total comprehensive income for the year		**25,053**	22,458	16,582

1. Comparative figures have been restated to reflect the change in trading unit from DKK 1 to DKK 0.20.

Back to Contents

Balance sheet

at 31 December

DKK million	Note	2013	2012
Assets			
Intangible assets	3.1	1,615	1,495
Property, plant and equipment	3.2	21,882	21,539
Deferred income tax assets	2.4	4,231	2,244
Other financial assets	4.6	551	228
Total non-current assets		**28,279**	25,506
Inventories	3.3	9,552	9,543
Trade receivables	3.4	10,907	9,639
Tax receivables		3,155	1,240
Other receivables and prepayments	3.5	2,454	2,705
Marketable securities	4.2, 4.6	3,741	4,552
Derivative financial instruments	4.3	1,521	931
Cash at bank and on hand	4.2, 4.4	10,728	11,553
Total current assets		**42,058**	40,163
Total assets		**70,337**	65,669
Equity and liabilities			
Share capital	4.1	550	560
Treasury shares	4.1	(21)	(17)
Retained earnings		41,137	39,001
Other reserves		903	1,088
Total equity		**42,569**	40,632
Deferred income tax liabilities	2.4	672	732
Retirement benefit obligations	3.7	688	760
Provisions	3.6	2,183	1,907
Total non-current liabilities		**3,543**	3,399
Current debt	4.6	215	500
Trade payables	4.6	4,092	3,859
Tax payables		2,222	593
Other liabilities	3.8	9,386	8,982
Derivative financial instruments	4.3	–	48
Provisions	3.6	8,310	7,656
Total current liabilities		**24,225**	21,638
Total liabilities		**27,768**	25,037
Total equity and liabilities		**70,337**	65,669

Back to Contents

Statement of cash flows

for the year ended 31 December

DKK million	Note	2013	2012	2011
Net profit for the year		**25,184**	21,432	17,097
Adjustment for non-cash items	5.3	10,738	11,253	9,117
Change in working capital	4.5	(265)	274	434
Interest received		131	207	332
Interest paid		(39)	(61)	(215)
Income taxes paid	2.4	(9,807)	(10,891)	(5,391)
Net cash generated from operating activities		**25,942**	22,214	21,374
Proceeds from sale of other financial assets		29	–	–
Purchase of intangible assets and other financial assets	3.1, 4.6	(406)	(250)	(259)
Proceeds from sale of property, plant and equipment		31	53	70
Purchase of property, plant and equipment	3.2	(3,238)	(3,372)	(3,073)
Net sale/(purchase) of marketable securities		811	(501)	(197)
Net cash used in investing activities		**(2,773)**	(4,070)	(3,459)
Repayment of loans		–	(502)	(507)
Purchase of treasury shares, net	4.1	(13,924)	(11,896)	(10,595)
Dividends paid	4.1	(9,715)	(7,742)	(5,700)
Net cash used in financing activities		**(23,639)**	(20,140)	(16,802)
Net cash generated from activities		**(470)**	(1,996)	1,113
Cash and cash equivalents at the beginning of the year		11,053	13,057	11,960
Exchange gains/(losses) on cash and cash equivalents		(70)	(8)	(16)
Cash and cash equivalents at the end of the year	4.4	**10,513**	11,053	13,057

Back to Contents

Statement of changes in equity

at 31 December

DKK million	Share capital	Treasury shares	Retained earnings	Other reserves: Exchange rate adjustment	Other reserves: Cash flow hedges	Other reserves: Tax and other items	Other reserves: Total other reserves	**Total**
2013								
Balance at the beginning of the year	560	(17)	39,001	226	847	15	1,088	40,632
Net profit for the year			25,184					25,184
Other comprehensive income for the year			54	(435)	386	(136)	(185)	(131)
Total comprehensive income for the year			25,238	(435)	386	(136)	(185)	25,053
Transactions with owners:								
Dividends (note 4.1)			(9,715)					(9,715)
Share-based payments (note 5.1)			409					409
Tax credit related to share option scheme			114					114
Purchase of treasury shares (note 4.1)		(15)	(13,974)					(13,989)
Sale of treasury shares (note 4.1)		1	64					65
Reduction of the B share capital (note 4.1)	(10)	10						–
Balance at the end of the year	550	(21)	41,137	(209)	1,233	(121)	903	**42,569**
2012								
Balance at the beginning of the year	580	(24)	37,111	398	(1,184)	567	(219)	37,448
Net profit for the year			21,432					21,432
Other comprehensive income for the year			(281)	(172)	2,031	(552)	1,307	1,026
Total comprehensive income for the year			21,151	(172)	2,031	(552)	1,307	22,458
Transactions with owners:								
Dividends (note 4.1)			(7,742)					(7,742)
Share-based payments (note 5.1)			308					308
Tax credit related to share option scheme			56					56
Purchase of treasury shares (note 4.1)		(15)	(12,147)					(12,162)
Sale of treasury shares (note 4.1)		2	264					266
Reduction of the B share capital (note 4.1)	(20)	20						–
Balance at the end of the year	560	(17)	39,001	226	847	15	1,088	40,632
2011								
Balance at the beginning of the year	600	(28)	36,097	571	(672)	397	296	36,965
Net profit for the year			17,097					17,097
Other comprehensive income for the year				(173)	(512)	170	(515)	(515)
Total comprehensive income for the year			17,097	(173)	(512)	170	(515)	16,582
Transactions with owners:								
Dividends (note 4.1)			(5,700)					(5,700)
Share-based payments (note 5.1)			319					319
Purchase of treasury shares (note 4.1)		(18)	(10,821)					(10,839)
Sale of treasury shares (note 4.1)		2	242					244
Tax on sale of treasury shares			(123)					(123)
Reduction of the B share capital (note 4.1)	(20)	20						–
Balance at the end of the year	580	(24)	37,111	398	(1,184)	567	(219)	37,448

Back to Contents

Notes

Sections in the Consolidated financial statements

Section 1 Basis of preparation

Read this section to get an overview of the financial accounting policies in general and an overview of Management's key accounting estimates.

Section 2 Results for the year

Read this section to get more details on the results for the year, including operating segments, taxes and employee costs.

Section 3 Operating assets and liabilities

Read this section to get more details on the assets that form the basis for the activities of Novo Nordisk, and the related liabilities.

Section 4 Capital structure and financing items

Read this section to gain an insight into the capital structure, cash flow and financing items.

Section 5 Other disclosures

Read this section for more details on the statutory notes that have secondary importance from the perspective of Novo Nordisk.

Back to Contents

Section 1
Basis of preparation of the Consolidated financial statements

Novo Nordisk presents its Consolidated financial statements on the basis of the latest developments in international financial reporting and strives for early adoption of EU-endorsed IFRS accounting standards.

All entities in the Novo Nordisk Group follow the same Group accounting policies. This section gives a summary of the significant accounting policies, Management's key accounting estimates, new IFRS requirements and other accounting policies in general. A detailed description of accounting policies and key accounting estimates related to specific reported amounts is presented in each note to the relevant financial items.

1.1 Summary of significant accounting policies

The Consolidated financial statements included in this Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), in accordance with IFRS as endorsed by the European Union and also in accordance with additional Danish disclosure requirements for annual reports of listed companies.

Measurement basis
The Consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, equity investments and marketable securities measured at fair value.

The principal accounting policies set out below have been applied consistently in the preparation of the Consolidated financial statements for all the years presented.

Principal accounting policies
Novo Nordisk's accounting policies are described in each of the individual notes to the Consolidated financial statements. Considering all the accounting policies applied, Management regards the following as the most significant accounting policies for the recognition and measurement of reported amounts:

- Net sales and sales deductions (notes 2.1 and 3.6)
  Revenue is only recognised when, in Management's judgement, the significant risks and rewards of ownership have been transferred and when the Group does not retain managerial involvement in or effective control over the goods sold. To arrive at net sales, rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organisations are deducted from gross sales. These deductions include estimates of unsettled obligations, requiring the use of judgement when estimating the effect of these sales deductions on gross sales for a reporting period.

- Research and development (note 3.1 and 3.2)
  Internal research costs are fully charged to the consolidated income statement in the period in which they are incurred, consistent with industry practice. Novo Nordisk considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalisation of internal development costs as an intangible asset until marketing approval from the regulatory authority in a relevant major market is obtained or highly probable. The same principles are applied to plant and equipment with no alternative use developed as part of a research and development project. However, plant and equipment with alternative use or used for general research and development purposes is capitalised and depreciated over its estimated useful life as research and development costs.

  For acquired in-process research and development projects, the probability effect is reflected in the cost of the asset, and the probability recognition criteria are therefore always considered satisfied. As the cost of acquired in-process research and development projects can often be measured reliably, these projects fulfil the capitalisation criteria as intangible assets upon acquisition. However, further internal development costs subsequent to acquisition are treated in the same way as other internal development costs.

- Derivative financial instruments (note 4.3)
  Novo Nordisk hedges commercial exposures, with foreign exchange risk being the principal financial risk for the Group. The overall objective of foreign exchange risk management is to limit the short-term negative impact on net profit and cash flow from exchange rate fluctuations, thereby increasing the predictability of the financial results. The purpose of hedge accounting is to match the impact of the hedged item and the hedging instrument in the Consolidated income statement. Management has chosen to classify the result of hedging activities as part of financial items. Thus, as the majority of Novo Nordisk's sales are in EUR, USD, JPY, CNY, GBP and CAD, net sales will be impacted by exchange rate fluctuations whereas the impact of exchange rate fluctuations on Profit before income taxes depends on the results of the hedging activities and the development in non-hedged currencies.

In addition, the following other accounting policies are considered relevant to an understanding of the Consolidated financial statements:

- Income taxes (note 2.4)
- Property, plant and equipment including impairment (note 3.2)
- Inventories (note 3.3)
- Trade receivables and allowance for doubtful trade receivables (note 3.4)
- Provisions for legal disputes (note 3.6).

Defining materiality
The Consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the Consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the Consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

Back to Contents

1.2 Summary of key accounting estimates

The use of reasonable estimates is an essential part of the preparation of the Consolidated financial statements. Given the uncertainties inherent in Novo Nordisk's business activities, Management must make certain estimates and judgements that affect the application of accounting policies and reported amounts of assets, liabilities, sales, costs, cash flows and related disclosures at the date(s) of the Consolidated financial statements.

Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis and, if necessary, changes are recognised in the period in which the estimate is revised. Management considers the carrying amounts recognised in relation to the key accounting estimates mentioned below to be reasonable and appropriate based on currently available information. However, the actual amounts may differ from the amounts estimated as more detailed information becomes available.

Management regards the following as the key accounting estimates and assumptions used in the preparation of the Consolidated financial statements:

- Sales deductions and provisions for sales rebates (notes 2.1 and 3.6)
- Indirect production costs (note 3.3)
- Allowance for doubtful trade receivables (note 3.4)
- Income taxes (note 2.4)
- Provisions for legal disputes (note 3.6).

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

1.3 Changes in accounting policies and disclosures

Early adoption of new or amended IFRSs
With effect from 1 January 2013, Novo Nordisk has implemented the new standards IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'. These new standards have no material impact on the Consolidated financial statements in 2013, nor is a significant impact expected on future periods.

Adoption of new or amended IFRSs
IAS 19R 'Employee benefits' effective for annual periods beginning on or after 1 July 2012 was early adopted in 2012. As retrospective application of these changes only had an immaterial impact on each previous financial year, Management fully adopted the revised standard in 2012 without restating previous years' comparative amounts and disclosures. Please refer to note 3.7 for a detailed description of the accounting policy for retirement benefit obligations.

Furthermore, amendment to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 July 2012, was early adopted in 2012 with no material impact on the Consolidated financial statements. For a further description please refer to the Annual Report 2012.

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and IFRSs endorsed by the European Union effective on or after 1 January 2013, it has been assessed that the application of these new IFRSs has not had a material impact on the Consolidated financial statements in 2013 and Management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted
In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in general expected to change current accounting regulation most significantly:

- IASB has issued IFRS 9 'Financial Instruments', which awaits final effective date and EU endorsement. IFRS 9 is part of the IASB's project to replace IAS 39, and the new standard will substantially change the classification and measurement of financial instruments and hedging requirements. Novo Nordisk has assessed the impact of the standard and determined that it will not have any significant impact on the Consolidated financial statements in its current wording.

- IASB has issued re-exposure drafts on IAS 17 'Leasing' and IAS 18 'Revenue'. The revised IAS 18 is expected to have only immaterial impact on the Consolidated financial statements. Depending on the wording of the final standard, the change in lease accounting is expected to require capitalisation of the majority of the Group's operational lease contracts, representing less than 10% of total assets, with a minor impact on the Group's assets, liabilities and financial ratios, and no significant impact on net profit.

Changes in classification
With effect from 1 January 2013, Novo Nordisk has changed the classification of uncertain tax positions. Previously these were presented net as part of deferred tax liabilities. As of 2013 these are presented gross as part of deferred tax assets, tax receivables and tax payables. Refer to note 2.4 for further description.

1.4 General accounting policies

Principles of consolidation
The Consolidated financial statements incorporate the financial statements of Novo Nordisk A/S and entities controlled by Novo Nordisk A/S. Control exists when Novo Nordisk own more than 50% of the voting rights or has the power to govern the entity in some other way.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Novo Nordisk group policies. All intra-Group transactions, balances, income and expenses are eliminated in full when consolidated.

Translation of foreign currencies
Functional and presentation currency
Items included in the financial statements of each of Novo Nordisk's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Consolidated financial statements are presented in Danish kroner (DKK), which is also the functional and presentation currency of the parent company.

Translation of transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such trans actions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

Translation differences on non-monetary items, such as financial assets classified as available for sale including equity investments, are recognised in Other comprehensive income.

Translation of Group companies
Financial statements of foreign subsidiaries are translated into Danish kroner at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for income statement items.

All effects of exchange rate adjustment are recognised in the Income statement, with the exception of exchange rate adjustments of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets at the beginning of the year at the exchange rates at the end of the reporting period
- the translation of foreign subsidiaries' statement of comprehensive income from average exchange rates to exchange rates at the end of the reporting period
- the translation of non-current intra-Group receivables that are considered to be an addition to net investments in subsidiaries.

These specific exchange rate adjustments are recognised in Other comprehensive income.

Back to Contents

Section 2
Results for the year

This section comprises notes related to the results for the year, including sales and sales deductions, segment information, employee costs as well as details on income and deferred income taxes. Consequently the section provides additional information related to performance against two of Novo Nordisk's four long-term financial targets: Operating profit margin and Growth in operating profit.

Continued growth in the number of patients, a global commercial presence and innovative products drive Novo Nordisk's growth in sales. Over the last five years, growth in operating profit has been higher than sales growth, resulting in an increasing operating margin. The gross margin expansion has primarily been driven by a positive product mix and a favourable pricing development. The operating margin expansion has also been supported by a modest development in administrative costs and economy of scale advantages within sales and marketing, whereas research and development costs have been growing in line with sales. Novo Nordisk continues to invest in innovation while contributing to society by paying corporate taxes in the countries where it operates. The Management review section '2013 performance and 2014 outlook' on p 6 gives a detailed description of the results for the year.

2.1 Net sales and sales deductions

Accounting policies
Revenue from goods sold is recognised when Novo Nordisk has transferred the significant risks and rewards to the buyer, and the amount of revenue can be measured reliably.

Sales are measured at the fair value of the consideration received or receivable. When sales are recognised, Novo Nordisk also records estimates for a variety of sales deductions, including rebates, discounts, refunds, incentives and product returns. Sales deductions are recognised as a reduction of gross sales to arrive at net sales. Where contracts contain customer acceptance provisions, Novo Nordisk recognises sales when the acceptance criteria are satisfied.

Revenue recognition for new product launches is based on specific facts and circumstances relating to those products, including estimated demand and acceptance rates for well-established products with similar market characteristics. Where shipments of new products are made on a sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Overall sales performance
The sales performance for a five-year period is presented below in respect of business performance and geographical areas:

Financial performance

DKK million	**2013**	2012	2011	2010	2009
Net sales					
Modern insulins (insulin analogues)	38,153	34,821	28,765	26,601	21,471
Human insulins	10,869	11,302	10,785	11,827	11,315
Victoza®	11,633	9,495	5,991	2,317	87
Protein-related products	2,555	2,511	2,309	2,214	1,977
Oral antidiabetic products (OAD)	2,246	2,758	2,575	2,751	2,652
Diabetes care total	65,456	60,887	50,425	45,710	37,502
NovoSeven®	9,256	8,933	8,347	8,030	7,072
Norditropin®	6,114	5,698	5,047	4,803	4,401
Other biopharmaceuticals	2,746	2,508	2,527	2,233	2,103
Biopharmaceuticals total	18,116	17,139	15,921	15,066	13,576
Net sales by business segment	**83,572**	78,026	66,346	60,776	51,078
North America	39,024	34,220	26,586	23,609	18,279
Europe	20,063	19,707	19,168	18,664	17,540
International Operations	12,007	11,080	9,367	8,335	6,835
Japan & Korea	5,317	6,617	6,223	5,660	4,888
Region China	7,161	6,402	5,002	4,508	3,536
Net sales by geographical segment	**83,572**	78,026	66,346	60,776	51,078

Back to Contents

2.1 Net sales and sales deductions (continued)

Key accounting estimates – Sales deductions

Sales discounts and sales rebates are predominantly issued in Region North America. In this region, significant sales rebates are paid in connection with US public healthcare insurance programmes, namely Medicare and Medicaid, as well as rebates to managed healthcare plans. The most significant discounts are offered under contracts with institutions, mostly hospitals and government agencies. In addition, political pressure to contain healthcare costs has led several other countries to impose significant price reductions on pharmaceutical products. As such, concerted austerity measures have been implemented by governments in countries in Region Europe, while government-mandated price cuts have been introduced in Region China, Japan and major countries in Region International Operations.

US Medicaid and Medicare rebates

Medicaid and Medicare rebates have been calculated using a combination of historical experience, product and population growth, price increases, the impact of contracting strategies and specific terms in the individual agreements. For Medicaid, the calculation of rebates also involves interpretation of relevant regulations that are subject to changes in interpretative guidance from government authorities. Although accruals are made for Medicaid and Medicare rebates at the time sales are recorded, the actual rebates related to the specific sale will typically be invoiced to Novo Nordisk up to nine months later. Due to the time lag, the rebate adjustments to sales in any particular period may incorporate adjustments of accruals for prior periods.

US managed healthcare rebates

Rebates are offered to a number of managed healthcare plans. These rebate programmes allow the customer to receive a rebate after attaining certain performance parameters relating to formulary status and pre-established market share milestones relative to competitors. Rebates are estimated according to the specific terms in each agreement, historical experience, anticipated channel mix, product growth rates and market share information. Novo Nordisk adjusts the provision periodically to reflect actual sales performance.

US wholesaler charge-backs

Wholesaler charge-backs relate to contractual arrangements between Novo Nordisk and indirect customers in the US, whereby products are sold at contract prices lower than the list price originally charged to wholesalers. A wholesaler charge-back represents the difference between the invoice price to the wholesaler and the indirect customer's contract price. Provisions are calculated for estimated charge-backs using a combination of factors such as historical experience, current wholesaler inventory levels, contract terms and the value of claims received but not yet processed. Wholesaler charge-backs are generally settled within 10 to 30 days of the liability being incurred.

Discounts, sales returns and other rebates

Other discounts are provided to wholesalers, hospitals, pharmacies etc, and are usually linked to sales volume or provided as cash discounts. Sales returns are related to damaged or expired products. Accruals are calculated based on historical data, and recorded as a reduction in gross sales at the time the related sales are recorded.

Arrangements with certain healthcare providers may require Novo Nordisk to make refunds to the healthcare providers if anticipated treatment outcomes do not meet predefined targets.

Gross-to-net sales reconciliation

DKK million	**2013**	2012	2011
Gross sales	115,906	103,948	84,386
US Medicaid and Medicare rebates	(9,959)	(7,519)	(5,075)
US managed healthcare rebates	(5,481)	(4,390)	(2,551)
US wholesaler charge-backs	(10,126)	(8,196)	(5,894)
US discounts and sales returns	(2,978)	(2,620)	(1,886)
Non-US rebates, discounts and sales returns	(3,790)	(3,197)	(2,634)
Total gross-to-net sales adjustments	(32,334)	(25,922)	(18,040)
Net sales	**83,572**	78,026	66,346

Provisions for sales rebates are adjusted to actual amounts as rebates and discounts are processed. Please refer to note 3.6 for further information on sales-related provisions.

Back to Contents

2.2 Segment information

Accounting policies

Operating segments are reported in a manner consistent with the internal reporting provided to Management and the Board of Directors.

Business segments

Novo Nordisk operates in two business segments based on therapies: Diabetes care and Biopharmaceuticals.

The Diabetes care business segment includes research, development, manufacturing and marketing of products within the areas of insulin, GLP-1 and related delivery systems, oral antidiabetic products (OAD) and obesity.

The Biopharmaceuticals business segment includes research, development, manufacturing and marketing of products within the areas of haemophilia, growth hormone therapy, hormone replacement therapy, inflammation therapy and other therapy areas.

Segment performance is evaluated on the basis of operating profit consistent with the Consolidated financial statements. Financial income and expenses and income taxes are managed at Group level and are not allocated to business segments.

There are no sales or other transactions between the business segments. Costs have been split between business segments according to a specific allocation with the addition of a minor number of corporate overhead costs allocated systematically between the segments. Licence income and other operating income has been allocated to the two segments based on the same principle. Segment assets comprise the assets that are applied directly to the activities of the segment, including intangible assets, property, plant and equipment, other financial assets, inventories, trade receivables, and other receivables and prepayments.

No single customer represents more than 10% of the total sales and no operating segments have been aggregated to form the reported business segments.

Business segments

DKK million	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Segment sales	Diabetes care			Biopharmaceuticals			Total		
NovoRapid® / NovoLog®	16,848	15,693	12,804						
NovoMix® / NovoLog® Mix	9,759	9,342	8,278						
Levemir®	11,546	9,786	7,683						
Total modern insulins	38,153	34,821	28,765						
Human insulins	10,869	11,302	10,785						
Victoza®	11,633	9,495	5,991						
Protein-related products	2,555	2,511	2,309						
Oral antidiabetic products (OAD)	2,246	2,758	2,575						
Diabetes care total sales	**65,456**	60,887	50,425						
NovoSeven®				9,256	8,933	8,347			
Norditropin®				6,114	5,698	5,047			
Other products				2,746	2,508	2,527			
Biopharmaceuticals total sales				**18,116**	17,139	15,921			
Segment key figures									
Total net sales	65,456	60,887	50,425	18,116	17,139	15,921	83,572	78,026	66,346
Change in DKK (%)	7.5%	20.7%	10.3%	5.7%	7.7%	5.7%	7.1%	17.6%	9.2%
Change in local currencies (%)	12.0%	14.5%	12.6%	11.5%	2.4%	7.6%	11.9%	11.6%	11.4%
Cost of goods sold	11,909	11,435	10,762	2,231	2,030	1,827	14,140	13,465	12,589
Sales and distribution costs	20,584	18,894	16,476	2,796	2,650	2,528	23,380	21,544	19,004
Research and development costs	7,786	7,322	6,402	3,947	3,575	3,226	11,733	10,897	9,628
Administrative costs	2,767	2,604	2,485	741	708	760	3,508	3,312	3,245
Licence income and other operating income, net	510	464	285	172	202	209	682	666	494
Operating profit	**22,920**	21,096	14,585	**8,573**	8,378	7,789	**31,493**	29,474	22,374
Operating margin	35.0%	34.6%	28.9%	47.3%	48.9%	48.9%	37.7%	37.8%	33.7%
Depreciation, amortisation and impairment losses expensed	2,209	2,167	2,051	590	526	686	2,799	2,693	2,737
Additions to Intangible assets and Property, plant and equipment	2,651	2,800	2,654	990	770	678	3,641	3,570	3,332
Assets allocated to business segments	36,436	36,030	34,853	10,525	9,119	8,998	46,961	45,149	43,851
Assets not allocated to business segments[1]							23,376	20,520	20,847
Total assets							**70,337**	65,669	64,698

1. The part of total assets that remains unallocated to either of the two business segments includes Cash at bank and on hand, Marketable securities, Derivative financial instruments deferred tax assets and tax receivables.

Back to Contents

2.2 Segment information (continued)

Information about geographical areas

Novo Nordisk operates in five geographical regions:

- North America: the US and Canada
- Europe: the EU, EFTA, Albania, Bosnia-Hercegovina, Macedonia, Serbia, Montenegro and Kosovo
- Japan & Korea: Japan and Korea
- Region China: China, Hong Kong and Taiwan
- International Operations: all other countries.

Sales are attributed to geographical regions according to the location of the customer. Allocation of property, plant and equipment, trade receivables, allowance for trade receivables and total assets are based on the location of the assets.

The country of domicile is Denmark, which is part of Region Europe. Denmark is immaterial to Novo Nordisk's activities in terms of geographical size and the operational business segments. More than 99.4% of total sales are realised outside Denmark. Sales to external customers attributed to the US are collectively the most material to the Group. The US is the only country where sales contribute more than 10% of total sales. Sales to the US represent more than 90% of sales in Region North America.

For patent expiry in key markets, please refer to note 2.5 in the social statements, where the various marketed products are listed.

Geographical areas

DKK million	**2013**	2012	2011	**2013**	2012	2011
	North America			Europe		
Sales by business segment:						
NovoRapid® / NovoLog®	9,953	9,033	6,934	3,819	3,707	3,464
NovoMix® / NovoLog® Mix	2,694	2,488	2,088	2,450	2,544	2,623
Levemir®	6,823	5,290	3,711	2,909	2,833	2,577
Modern insulins (insulin analogues)	19,470	16,811	12,733	9,178	9,084	8,664
Human insulins	1,976	1,959	1,762	2,427	2,642	3,032
Victoza®	7,537	5,930	3,716	2,896	2,427	1,620
Other diabetes care	1,590	1,998	1,705	885	965	1,210
Diabetes care total	30,573	26,698	19,916	15,386	15,118	14,526
NovoSeven®	4,459	4,397	3,951	2,294	2,206	2,310
Norditropin®	2,273	1,721	1,394	1,729	1,741	1,705
Other biopharmaceuticals	1,719	1,404	1,325	654	642	627
Biopharmaceuticals total	8,451	**7,522**	6,670	4,677	4,589	4,642
Total sales by business and geographical segment	**39,024**	34,220	26,586	**20,063**	19,707	19,168
Underlying sales growth in local currencies[1]	17.8%	19.2%	17.9%	2.5%	2.0%	2.4%
Currency effect (local currency impact)	(3.8%)	9.5%	(5.3%)	(0.7%)	0.8%	0.3%
Total sales growth as reported	**14.0%**	28.7%	12.6%	**1.8%**	2.8%	2.7%
Property, plant and equipment	1,571	1,500	1,329	16,801	16,200	15,681
Trade receivables	3,076	2,278	2,081	3,779	3,688	3,652
Allowance for doubtful trade receivables	(20)	(18)	(22)	(245)	(239)	(333)
Total assets	7,057	5,867	5,465	51,205	47,663	47,202

1. Additional non-IFRS measure; please refer to p 93 for definition.

Back to Contents

2.2 Segment information (continued)

Geographical areas

DKK million	**2013**	2012	2011	**2013**	2012	2011
	International Operations			Japan & Korea		
Sales by business segment:						
NovoRapid® / NovoLog®	1,639	1,408	1,100	951	1,175	1,057
NovoMix® / NovoLog® Mix	1,875	1,708	1,482	789	1,028	970
Levemir®	1,290	1,106	942	288	386	363
Modern insulins (insulin analogues)	4,804	4,222	3,524	2,028	2,589	2,390
Human insulins	2,954	3,073	2,581	490	768	960
Victoza®	741	613	322	331	455	327
Other diabetes care	692	632	583	471	493	430
Diabetes care total	9,191	8,540	7,010	3,320	4,305	4,107
NovoSeven®	1,716	1,526	1,485	629	646	482
Norditropin®	853	780	651	1,246	1,442	1,285
Other biopharmaceuticals	247	234	221	122	224	349
Biopharmaceuticals total	2,816	2,540	2,357	1,997	2,312	2,116
Total sales by business and geographical segment	**12,007**	11,080	9,367	**5,317**	6,617	6,223
Underlying sales growth in local currencies[1]	17.0%	16.2%	17.1%	(0.1%)	(1.5%)	5.1%
Currency effect (local currency impact)	(8.6%)	2.1%	(4.7%)	(19.5%)	7.8%	4.8%
Total sales growth as reported	**8.4%**	18.3%	12.4%	**(19.6%)**	6.3%	9.9%
Property, plant and equipment	1,292	1,508	1,672	140	174	207
Trade receivables	2,196	2,177	2,052	269	335	377
Allowance for doubtful trade receivables	(716)	(710)	(535)	(8)	(3)	(2)
Total assets	5,945	6,660	6,419	1,022	989	1,388

DKK million	**2013**	2012	2011	**2013**	2012	2011
	Region China			**Total sum of the five regions**		
Sales by business segment:						
NovoRapid® / NovoLog®	486	370	249	16,848	15,693	12,804
NovoMix® / NovoLog® Mix	1,951	1,574	1,115	9,759	9,342	8,278
Levemir®	236	171	90	11,546	9,786	7,683
Modern insulins (insulin analogues)	2,673	2,115	1,454	38,153	34,821	28,765
Human insulins	3,022	2,860	2,450	10,869	11,302	10,785
Victoza®	128	70	6	11,633	9,495	5,991
Other diabetes care	1,163	1,181	956	4,801	5,269	4,884
Diabetes care total	6,986	6,226	4,866	65,456	60,887	50,425
NovoSeven®	158	158	119	9,256	8,933	8,347
Norditropin®	13	14	12	6,114	5,698	5,047
Other biopharmaceuticals	4	4	5	2,746	2,508	2,527
Biopharmaceuticals total	175	176	136	18,116	17,139	15,921
Total sales by business and geographical segment	**7,161**	6,402	5,002	**83,572**	78,026	66,346
Underlying sales growth in local currencies[1]	12.7%	16.3%	11.7%	11.9%	11.6%	11.4%
Currency effect (local currency impact)	(0.8%)	11.7%	(0.7%)	(4.8%)	6.0%	(2.2%)
Total sales growth as reported	**11.9%**	28.0%	11.0%	**7.1%**	17.6%	9.2%
Property, plant and equipment	2,078	2,157	2,042	21,882	21,539	20,931
Trade receivables	1,587	1,161	1,187	10,907	9,639	9,349
Allowance for doubtful trade receivables	0	(54)	0	(989)	(1,024)	(892)
Total assets	5,108	4,490	4,224	70,337	65,669	64,698

1. Additional non-IFRS measure; please refer to p 93 for definition.

Back to Contents

2.3 Employee costs

Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are rendered by employees of Novo Nordisk. Where Novo Nordisk provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

Employee costs

DKK million	**2013**	2012	2011
Wages and salaries	19,077	17,301	16,127
Share-based payment costs (note 5.1)	409	308	319
Pensions – defined contribution plans	1,428	1,302	1,155
Pensions – retirement benefit obligations (note 3.7)	113	150	(2)
Other social security contributions	1,489	1,358	1,189
Other employee costs	1,891	1,779	1,491
Total employee costs for the year	24,407	22,198	20,279
Employee costs included in property, plant and equipment[1]	(772)	(533)	(496)
Change in employee costs included in inventories	(29)	(70)	(37)
Total employee costs	**23,606**	21,595	19,746
Included in the Income statement:			
Cost of goods sold	5,160	4,627	4,302
Sales and distribution costs	9,831	8,784	7,961
Research and development costs	4,680	4,298	3,980
Administrative costs	2,250	2,205	1,993
Licence income and other operating income, net	1,685	1,681	1,510
Total employee costs	**23,606**	21,595	19,746

1. This reflects annual gross employee costs included in property, plant and equipment, which subsequently will be included in depreciation and impairment losses.

Average number of full-time employees	36,144	33,061	31,499
Year-end number of full-time employees	37,978	34,286	32,136

Remuneration to Executive Management and Board of Directors

DKK million	**2013**	2012	2011
Salary and cash-based incentive	58	37	35
Pension	15	9	9
Other benefits	2	1	1
Executive Management in total[1]	**75**	47	45
Fee to Board of Directors[2]	9	9	9

1. Excluding share-based payments, as these are allocated in the joint pool between Executive Management and other members of the Senior Management Board. Please refer to note 5.1 and 'Remuneration', pp 49–51, for further information.
2. Excluding social security taxes paid amounting to less than DKK 1 million (less than DKK 1 million in 2012).

2.4 Income and deferred income taxes

Income taxes

Accounting policies

The tax expense for the period comprises current and deferred tax and interest on tax cases ongoing or settled during the year, including adjustments to previous years and changes in provision for uncertain tax positions. Tax is recognised in the Income statement, except to the extent that it relates to items recognised in Other comprehensive income.

Following developments in ongoing tax disputes primarily related to transfer pricing cases, uncertain tax positions previously presented net as part of deferred tax liabilities are as of 2013 presented individually as part of deferred tax assets, tax receivables and tax payables. As retrospective application of this change in classification would have only an immaterial impact on comparative amounts, Novo Nordisk has applied the reclassification in 2013 without restating previous years' comparative amounts and disclosures. Had comparative amounts been restated for 2012, deferred tax liabilities would decrease by DKK 716 million, deferred tax assets increase by DKK 614 million, tax receivables increase by DKK 425 million and tax payables increase by DKK 1,755 million. In 2013 uncertain tax positions of DKK 1,705 million is presented as DKK 760 million in deferred tax assets, DKK 2,317 million in tax receivables and DKK 1,372 million in tax payables.

Key accounting estimate – Income taxes

Novo Nordisk is subject to income taxes around the world. Significant judgement is required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provision for uncertain tax positions. Novo Nordisk recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income in assessing whether deferred income tax assets should be recognised. In the course of conducting business globally, transfer pricing disputes with tax authorities may occur, and Management judgement is applied to assess the possible outcome of such disputes. Novo Nordisk believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

Back to Contents

2.4 Income and deferred income taxes (continued)

Income taxes expensed

DKK million	**2013**	2012	2011
Current tax on profit for the year	8,540	6,001	4,534
Deferred tax on profit for the year	(682)	645	257
Tax on profit for the year	7,858	6,646	4,791
Adjustments recognised for current tax of prior periods	(74)	4,042	277
Adjustments recognised for deferred tax of prior periods	(429)	(4,309)	(240)
Income taxes in the Income statement	**7,355**	6,379	4,828

Adjustments recognised for prior periods include adjustments caused by events that occurred in the current year related to current and deferred tax of prior periods. Such adjustments predominantly arise from tax payments on tax disputes related to transfer pricing and reversal of associated tax liability recognised in prior periods.

Computation of effective tax rate:			
Statutory corporate income tax rate in Denmark	25.0%	25.0%	25.0%
Deviation in foreign subsidiaries' tax rates compared with the Danish tax rate (net)	(2.0%)	(2.1%)	(3.0%)
Non-taxable income less non-tax- deductible expenses (net)	–	0.1%	(0.2%)
Effect on deferred tax related to change in the Danish corporate tax rate	(0.3%)	–	–
Other	(0.1%)	(0.1%)	0.2%
Effective tax rate	**22.6%**	22.9%	22.0%
Tax on other comprehensive income for the year, (income)/expense	211	587	(190)

Tax on other comprehensive income for the year relates to tax on deferred (gains)/losses on cash flow hedges and internal profit in inventories. This is offset by DKK 48 million (DKK 12 million in 2012) recognised as current tax in Other comprehensive income in 2013.

Income taxes paid

DKK million	**2013**	2012	2011
Income taxes paid in Denmark	7,363	7,895	2,825
Income taxes paid outside Denmark	2,444	2,996	2,566
Total income taxes paid	**9,807**	10,891	5,391

The income taxes of DKK 7,363 million paid in Denmark in 2013 (DKK 7,895 million in 2012) include adjustments arising from ongoing tax disputes primarily related to transfer pricing from prior periods.

Deferred income taxes

Accounting policies

Deferred income taxes arise from temporary differences between the accounting and taxable values of the individual consolidated companies and from realisable tax-loss carry-forwards using the liability method. The tax value of tax-loss carry-forwards is included in deferred tax assets to the extent that the tax losses and other tax assets are expected to be utilised in future taxable income. The deferred income taxes are measured according to current tax rules and at the tax rates expected to be in force on elimination of the temporary differences. No provision is made for income taxes that would be payable upon the distribution of unremitted earnings unless a concrete distribution of earnings is planned.

Development in deferred income tax assets and liabilities

DKK million	**2013**	2012
At the beginning of the year	1,512	(792)
Reclassification to Tax receivables/Tax payables	1,330	–
Reclassification from Other liabilities (note 3.8)	–	(739)
Deferred tax on profit for the year	682	(645)
Adjustment relating to previous years	429	4,309
Deferred tax on items recognised in		
Other comprehensive income	(259)	(575)
Exchange rate adjustments	(135)	(46)
Total deferred tax assets/(liabilities), net	**3,559**	1,512

Back to Contents

2.4 Income and deferred income taxes (continued)

Development in deferred income tax assets and liabilities

DKK million	Property, plant and equipment	Intangible assets	Inventories	Tax-loss carry-forward	Other	Offset within countries	**Total**
2013							
Net deferred tax asset/(liability) at 1 January	(997)	133	1,336	66	974	–	1,512
Reclassification to Tax receivables/Tax payables					1,330		1,330
Income/(charge) to the Income statement[1]	141	(44)	593	(7)	428		1,111
Income/(charge) to Other comprehensive income			(168)		(91)		(259)
Exchange rate adjustment	3	(25)	–	(5)	(108)		(135)
Net deferred tax asset/(liability) at 31 December	(853)	64	1,761	54	2,533	–	**3,559**
Classified as follows:							
Deferred tax asset at 31 December	109	378	2,637	54	3,567	(2,514)	4,231
Deferred tax liability at 31 December	(962)	(314)	(876)	–	(1,034)	2,514	(672)

1. Including effect related to change in the Danish corporate tax rate.

2012							
Net deferred tax asset/(liability) at 1 January	(1,060)	244	1,599	87	(1,662)	–	(792)
Reclassification from Other liabilities					(739)		(739)
Income/(charge) to the Income statement	66	(106)	(185)	(17)	3,906		3,664
Income/(charge) to Other comprehensive income			(78)		(497)		(575)
Exchange rate adjustment	(3)	(5)	–	(4)	(34)		(46)
Net deferred tax asset/(liability) at 31 December	(997)	133	1,336	66	974	–	1,512
Classified as follows:							
Deferred tax asset at 31 December	176	436	2,560	66	1,421	(2,415)	2,244
Deferred tax liability at 31 December	(1,173)	(303)	(1,224)	–	(447)	2,415	(732)

Further to the above, the tax value of the tax-loss carry-forward of DKK 182 million (DKK 208 million in 2012) has not been recognised in the Balance sheet due to the likelihood that the tax losses will not be realised in the future. None of the unrecognised tax-loss carry-forward expires within one year. DKK 8 million expires within two to five years and DKK 174 million after more than five years.

Back to Contents

Section 3
Operating assets and liabilities

This section presents details on the operating assets that form the basis for the activities of Novo Nordisk, and related liabilities. These net assets impact Novo Nordisk's long-term target for 'Operating profit after tax to net operating assets (OPAT/NOA)'.

Novo Nordisk generates a relatively high OPAT/NOA due to a low level of acquired intangible assets and a stable operating asset base despite significant business growth. This is driven by Novo Nordisk's organic growth strategy with limited acquisition of rights or businesses, and reflects the fact that, in line with industry practice, Novo Nordisk does not capitalise internal development costs until regulatory approval is highly probable. The overall approach to managing operating assets is to retain assets for research, development and production activities under the company's own control, and generally to lease non-core assets related to administration and distribution. Furthermore, to maintain high quality in the company's products and the capability at all times to deliver products to customers, Novo Nordisk ensures that the total production capacity and inventory levels reflect this priority.

3.1 Intangible assets

Accounting policies

Patents and licences, including acquired patents and licences for in-process research and development projects, are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is based on the straight-line method over the estimated useful life, which is the shorter of the legal duration and the economic useful life not exceeding 10 years. The amortisation of patents and licences begins, at the earliest, on production of pre-launch inventory or after regulatory approval has been obtained.

Internal development of computer software and other development costs related to major IT projects for internal use that are directly attributable to the design and testing of identifiable and unique software products controlled by Novo Nordisk are recognised as intangible assets if the recognition criteria are met, ie a significant business system where the expenditure leads to the creation of a durable asset. Amortisation is based on the straight-line method over the estimated useful life of 3–10 years. The amortisation begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Impairment of assets

Intangible assets with an indefinite useful life and intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment irrespective of whether there is any indication that they may be impaired.

Assets that are subject to amortisation, such as intangible assets in use or with definite useful life, and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors considered material that could trigger an impairment test include the following:

- Development of a competing drug
- Changes in the legal framework covering patents, rights and licences
- Advances in medicine and/or technology that affect the medical treatments
- Lower-than-predicted sales
- Adverse impact on reputation and/or brand names
- Changes in the economic lives of similar assets
- Relationship with other intangible assets or property, plant and equipment
- Changes or anticipated changes in participation rates or reimbursement policies.

If the carrying amount of intangible assets exceeds the recoverable amount based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash fl ows. Impairments are reviewed at each reporting date for possible reversal.

Intangible assets

DKK million	**2013**	2012
Cost at the beginning of the year	2,712	2,538
Additions during the year	403	198
Disposals during the year	–	(18)
Effect of exchange rate adjustment	(16)	(6)
Cost at the end of the year	3,099	2,712
Amortisation and impairment losses at the beginning of the year	1,217	1,049
Amortisation for the year	166	160
Impairment losses for the year	113	32
Amortisation and impairment losses reversed on disposals during the year	–	(18)
Effect of exchange rate adjustment	(12)	(6)
Amortisation and impairment losses at the end of the year	1,484	1,217
Carrying amount at the end of the year	**1,615**	1,495
Specified as:		
Patents and licences	810	762
Internally developed software and software under development	805	733
Total	**1,615**	1,495

Intangible assets not yet in use amount to DKK 831 million (DKK 669 million in 2012), primarily patents and licences in relation to development projects.

In 2013, an impairment loss of DKK 113 million (DKK 32 million in 2012) related to patents has been recognised due to discontinuation of development projects. Impairment tests in 2013 and 2012 of assets not yet in use were based upon Management's projections and anticipated net present value of future cash flows from cash-generating units. Management has used a pre-tax discount rate (WACC) of 8% based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values used are based on the expected life of products, forecasted life cycle and cash flow over that period, and the useful life of the underlying assets.

Amortisation and impairment losses

DKK million	**2013**	2012	2011
Cost of goods sold	97	81	47
Sales and distribution costs	41	50	35
Research and development costs	126	47	139
Licence income and other operating income, net	15	14	11

Total amortisation and impairment losses	**279**	192	232

Back to Contents

3.2 Property, plant and equipment

Accounting policies

Property, plant and equipment is measured at historical cost less accumulated depreciation and any impairment loss. The cost of self-constructed assets includes costs directly and indirectly attributable to the construction of the assets. Subsequent cost is included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to Novo Nordisk and the cost of the item can be measured reliably. In general, constructions of major investments are self-financed and thus no interest on loans is capitalised as part of the cost. Depreciation is based on the straight-line method over the estimated useful lives of the assets:

- Buildings: 12– 50 years
- Plant and machinery: 5 –16 years
- Other equipment: 3 –10 years
- Land: not depreciated.

The depreciation commences when the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount (please refer to note 3.1 for a description of impairment of assets). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Other equipment	Payments on account and assets in course of construction	**Total**
2013					
Cost at the beginning of the year	15,345	18,022	3,359	5,878	42,604
Additions during the year	521	581	230	1,906	3,238
Disposals during the year	(195)	(655)	(259)	–	(1,109)
Transfer from/(to) other items	804	1,283	186	(2,273)	0
Effect of exchange rate adjustment	(291)	(267)	(59)	(79)	(696)
Cost at the end of the year	16,184	18,964	3,457	5,432	44,037
Depreciation and impairment losses at the beginning of the year	5,881	12,975	2,209	–	21,065
Depreciation for the year	688	1,464	337	–	2,489
Impairment losses for the year	4	22	5	–	31
Depreciation and impairment losses reversed on disposals during the year	(192)	(643)	(243)	–	(1,078)
Effect of exchange rate adjustment	(114)	(204)	(34)	–	(352)
Depreciation and impairment losses at the end of the year	6,267	13,614	2,274	–	22,155
Carrying amount at the end of the year	9,917	5,350	1,183	5,432	**21,882**
2012					
Cost at the beginning of the year	14,600	17,845	3,080	4,815	40,340
Additions during the year	171	136	220	2,845	3,372
Disposals during the year	(287)	(350)	(111)	–	(748)
Transfer from/(to) other items	1,020	553	192	(1,765)	–
Effect of exchange rate adjustment	(159)	(162)	(22)	(17)	(360)
Cost at the end of the year	15,345	18,022	3,359	5,878	42,604
Depreciation and impairment losses at the beginning of the year	5,525	11,888	1,996	–	19,409
Depreciation for the year	655	1,445	313	–	2,413
Impairment losses for the year	18	68	2	–	88
Depreciation and impairment losses reversed on disposals during the year	(263)	(315)	(91)	–	(669)
Effect of exchange rate adjustment	(54)	(111)	(11)	–	(176)
Depreciation and impairment losses at the end of the year	5,881	12,975	2,209	–	21,065
Carrying amount at the end of the year	9,464	5,047	1,150	5,878	21,539

Back to Contents

3.2 Property, plant and equipment (continued)

Depreciation and impairment losses

DKK million	2013	2012	2011
Cost of goods sold	1,984	1,909	1,833
Sales and distribution costs	37	46	60
Research and development costs	340	416	494
Administrative costs	59	53	58
Licence income and other operating income, net	100	77	60
Total depreciation and impairment losses	**2,520**	2,501	2,505

3.3 Inventories

Accounting policies

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct production costs such as raw materials, consumables and labour as well as indirect production costs. Production costs for work in progress and finished goods include indirect production costs such as employee costs, depreciation, maintenance etc.

If the expected sales price less completion costs to execute sales (net realisable value) is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value.

Inventory manufactured prior to regulatory approval (pre-launch inventory) is capitalised but immediately provided for, until there is a high probability of regulatory approval of the product. Before that point, a provision is made against the carrying amount of inventory to its recoverable amount and recorded as research and development costs. At the point when a high probability of regulatory approval is obtained, the provision recorded is reversed, up to no more than the original cost.

Key accounting estimate – Indirect production costs

Indirect production costs account for more than 50% of the net inventory value reflecting a lengthy production process compared with low direct raw material cost. The production of both diabetes care and biopharma products is highly complex from fermentation to purification and formulation, including quality control of all production processes. Furthermore, the process is very sensitive to manufacturing conditions. These factors all influence the parameters for capitalisation of indirect production costs in Novo Nordisk and full cost of the products. Indirect production costs is measured using a standard cost method, which is reviewed regularly to ensure relevant measures of capacity utilisation, production lead time, cost base and other relevant factors. When calculating total inventory, Management must make certain judgements about cost of production and idle capacity when estimating indirect production costs for capitalisation. Changes in the parameters for calculation of indirect production costs could have an impact on the gross margin and the overall valuation of inventories.

Inventories

DKK million	2013	2012
Raw materials	1,660	1,512
Work in progress	6,227	4,910
Finished goods	2,625	3,985
Total inventories (gross)	10,512	10,407
Inventory write-downs at year-end	960	864
Total inventories (net)	**9,552**	9,543
Carrying amount of inventory carried at net realisable value	0	0
Indirect production costs included in work in progress and finished goods (net)	4,834	4,894
Share of total inventories (net)	51%	51%

Movements in the inventory write-downs

Inventory write-downs at the beginning of the year	864	815
Inventory write-downs during the year	465	845
Utilisation of inventory write-downs	(156)	(532)
Reversal of inventory write-downs	(213)	(264)
Inventory write-downs at the end of the year	**960**	864

3.4 Trade receivables

Accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful trade receivables.

The allowance is deducted from the carrying amount of Trade receivables and the amount of the loss is recognised in the Income statement under Sales and distribution costs. Subsequent recoveries of amounts previously written off are credited against Sales and distribution costs.

Key accounting estimate – Allowance for doubtful trade receivables

The customer base of Novo Nordisk comprises government agencies, wholesalers, retail pharmacies, managed care and other customers. Management makes allowance for doubtful trade receivables in anticipation of estimated losses resulting from the subsequent inability of customers to make required payments. If the financial circumstances of customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance could be required in future periods. When evaluating the adequacy of the allowance for doubtful trade receivables, Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness and payment history, current economic trends and changes in customer payment terms. Please refer to note 4.2 for a general description of credit risk.

As a result of the generally troubled economic climate in Europe and the Eurozone countries, Novo Nordisk has increased its focus on the development in the outstanding trade receivables from this region. Payment history as well as current economic conditions and indicators are taken into account in the valuation of trade receivables. Furthermore, as a result of the significant increase in sales to countries within Region International Operations, and the fact that many of these countries have low credit ratings, the relative impact of Region International Operations on the allowance for doubtful trade receivables is increasing. Hence, Novo Nordisk continues to monitor the credit exposure related to this region.

Please refer to note 2.2 for a geographical split of trade receivables and allowance for doubtful trade receivables.

Back to Contents

3.4 Trade receivables (continued)

Trade receivables

DKK million	2013	2012
Trade receivables (gross)	11,896	10,663
Allowance for doubtful trade receivables	989	1,024
Trade receivables (net)	**10,907**	9,639
Trade receivables (net) are equal to an average credit period of 48 days (45 days in 2012).		
Age analysis of trade receivables		
Non-impaired trade receivables		
– Not yet due	9,985	8,950
– Overdue by between 1 and 179 days	844	629
– Overdue by between 180 and 360 days	78	60
– Overdue by more than 360 days	0	0
Trade receivables with credit risk exposure	10,907	9,639
Allowance for doubtful trade receivables	989	1,024
Trade receivables (gross)	**11,896**	10,663

Movement in allowance for doubtful trade receivables

Carrying amount at the beginning of the year	1,024	892
Confirmed losses	(8)	(35)
Reversal of allowance for confirmed losses	(10)	(13)
Allowance for possible losses during the year	51	189
Effect of exchange rate adjustment	(68)	(9)
Allowance at the end of the year	**989**	1,024

3.5 Other receivables and prepayments

Accounting policies
Other receivables and prepayments is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other receivables comprise miscellaneous duties and work in progress for third parties etc. Prepayments relate to ongoing research and development activities such as clinical trials and costs concerning subsequent financial years.

Other receivables and prepayments

DKK million	2013	2012
Prepayments	1,110	1,033
Interest receivable	75	87
Amounts owed by related parties	141	184
Deposit	232	524
VAT receivable	197	185
Other receivables	699	692
Total other receivables and prepayments	**2,454**	2,705

3.6 Provisions and contingent liabilities

Accounting policies
Provisions for sales rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed care and other customers are recorded at the time the related revenues are recorded or when the incentives are offered. Provisions are calculated based on the historical experience and the specific terms in the individual agreements.

Provisions for legal disputes are recognised where a legal or constructive obligation has been incurred as a result of past events and it is probable that there will be an outflow of resources that can be reliably estimated. In this case, Novo Nordisk arrives at an estimate on the basis of an evaluation of the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities.

Novo Nordisk issues credit notes for expired goods as a part of normal business. Where there is historical experience or a reasonably accurate estimate of expected future returns can otherwise be made, a provision for estimated product returns is recorded. The provision is measured at gross sales value.

Provisions are measured at the present value of the anticipated expenditure for settlement of the legal or constructive obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as financial expense.

Key accounting estimate – Provisions for sales rebates
Novo Nordisk records provisions for expected sales rebates, wholesaler charge-backs and other rebates, including Medicaid and Medicare in the US.

Such estimates are based on analyses of existing contractual or legal obligations, historical trends and the Group's experience. Provisions are calculated on the basis of a percentage of sales for each product as defined by the contracts with the various customer groups.

Provisions for sales rebates are adjusted to actual amounts as rebates, discounts and returns are processed. Please refer to note 2.1 for further information on sales rebates and provisions.

Novo Nordisk considers the provisions established for sales rebates to be reasonable and appropriate based on currently available information. However, the actual amount of rebates and discounts may differ from the amounts estimated by Management as more detailed information becomes available.

Key accounting estimate – Provisions for legal disputes
Provisions for legal disputes consist of various types of provision linked to ongoing legal disputes. Management makes judgements about provisions and contingencies, including the probability of pending and potential future litigation outcomes which, by their very nature, are dependent on inherently uncertain future events. When determining likely outcomes of litigations etc, Management considers the input of external counsels on each case, as well as known outcomes in case law.

Although Management believes that the total provisions for legal pro ceedings are adequate based upon currently available information, there can be no assurance that there will not be any changes in facts or matters or that any future lawsuits, claims, proceedings or investigations will not be material.

Back to Contents

3.6 Provisions and contingent liabilities (continued)

Provisions

DKK million	Provisions for sales rebates	Provisions for legal disputes	Provisions for product returns	Other provisions[1]	**2013 Total**	2012 Total
At the beginning of the year	7,352	1,057	582	572	9,563	8,264
Additional provisions, including increases to existing provisions	16,277	206	298	297	17,078	13,419
Amount used during the year	(15,069)	(3)	(335)	(86)	(15,493)	(11,255)
Adjustments, including unused amounts reversed during the year	(289)	(54)	138	(62)	(267)	(768)
Effect of exchange rate adjustment	(321)	(55)	(2)	(10)	(388)	(97)
At the end of the year	7,950	1,151	681	711	**10,493**	9,563
Non-current liabilities	–	1,151	409	623	2,183	1,907
Current liabilities	7,950	–	272	88	8,310	7,656

1. Other provisions consist of various types of provisions, including employee benefits such as jubilee benefits, company-owned life insurance etc. Assets related to company-owned life insurance are presented as part of other financial assets.

Contingent liabilities
Novo Nordisk is currently involved in pending litigations, claims and investigations arising out of the normal conduct of its business. While provisions that Management deems to be reasonable and appropriate have been made for probable losses, there are uncertainties connected with these estimates. Novo Nordisk does not expect the pending litigations, claims and investigations, individually and in the aggregate, to have a material impact on Novo Nordisk's fi nancial position, operating profit or cash flow in addition to the amounts accrued as provision for legal disputes.

Pending litigation against Novo Nordisk
Along with a majority of the hormone therapy product manufacturers in the US, Novo Nordisk is a defendant in product liability lawsuits related to hormone therapy products. There are currently 2 cases against Novo Nordisk involving individuals who allege to have used a Novo Nordisk hormone therapy product. These products (Activella® and Vagifem®) have been sold and marketed in the US since 2000. Until July 2003, the products were sold and marketed exclusively in the US by Pharmacia & Upjohn Company (now Pfizer Inc.). According to information received from Pfizer, one individual (compared with 45 individuals in 2012) currently allege, in relation to similar lawsuits against Pfizer Inc., that they too have used a Novo Nordisk hormone therapy product. Novo Nordisk does not expect the pending claims to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

In November 2006, Novo Nordisk A/S and the Italian affiliate Novo Nordisk Farmaceutici S.p.A. were sued by A. Menarini Industrie Farmaceutiche Riunite s.r.l. and Laboratori Guidotti S.p.A. ('Menarini') in the Civil Court in Rome. Menarini claims that Novo Nordisk breached an alleged contract with Menarini for the sale and distribution of insulin and insulin analogues in the Italian market or, alternatively, has incurred a pre-contractual or extra-contractual liability arising from negotiations between the parties. Novo Nordisk disputes the claims made by Menarini. On 8 October 2013 a hearing was conducted for final conclusions. On 8 January 2014 the trial court dismissed the case against Novo Nordisk. Menarini has the right to appeal the decision of the trial court. Novo Nordisk does not expect the pending claim to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

In August 2013, a number of claims alleging pancreatic cancer and pancreatitis have been filed against various incretin-class manufactures in U.S. courts, including Novo Nordisk. Novo Nordisk is currently named in 34 product liability cases related to Victoza®, predominantly related to pancreatic cancer. On 26 August 2013, the request for centralisation of all federal pancreatic cancer cases has been granted, and a single multidistrict litigation (MDL) court is now presiding over all federal cases. Novo Nordisk does not expect the pending claims to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

Novo Nordisk, along with 93 other defendants, has been named in a lawsuit filed in 2009 in the United States by the Republic of Iraq. The lawsuit alleges damages related to the defendants' participation in the United Nations' defunct Oil for Food Program. Nordisk does not expect the pending claim to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

In addition to the above, the Novo Nordisk Group is engaged in certain litigation proceedings. In the opinion of Management, settlement or continuation of these proceedings is not expected to have a material effect on Novo Nordisk's financial position, operating profit or cash flow.

Pending claims against Novo Nordisk and investigations involving Novo Nordisk
In February 2011, the office of the US Attorney for the District of Massachusetts served Novo Nordisk with a subpoena calling for the production of documents regarding potential civil and criminal offences relating to the company's marketing and promotional practices for the following products: NovoLog®, Levemir® and Victoza®. This matter is now being conducted by the US Attorney for the District of Columbia. Novo Nordisk is cooperating with the US Attorney in this investigation. Novo Nordisk does not expect the pending claims to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

In June 2005 Novo Nordisk filed a patent infringement lawsuit against Caraco Pharmaceutical Laboratories, Ltd. ('Caraco'), a generic pharmaceutical company, and its Indian parent, Sun Pharmaceutical Industries, Ltd., in the US District Court for the Eastern District of Michigan regarding Caraco's abbreviated new drug application ('ANDA') for a generic version of Prandin® (repaglinide). In January 2011, the District Court ruled that Novo Nordisk's US Patent No. 6,677,358 (the '358 patent'), which is directed toward the use of repaglinide in combination with metformin for the treatment of type 2 diabetes, is invalid and unenforceable. Novo Nordisk immediately appealed this decision on the merits to the US Court of Appeals for the Federal Circuit. Following briefing and oral argument, the US Court of Appeals for the Federal Circuit reversed the District Court finding of patent unenforceability and affirmed the patent invalidity decision. Novo Nordisk's request for rehearing *en banc* of the invalidity affirmance was denied on 18 September 2013.